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Regional Oral History Office
The Bancroft Library

University of California
Berkeley, California

Governmental History Documentation Project
Ronald Reagan Gubernatorial Era

SERVICES FOR CALIFORNIANS: EXECUTIVE DEPARTMENT ISSUES
IN THE REAGAN ADMINISTRATION, 1967-1974

Richard L. Camilli	Health Care Reform and Staff Development, 1969-1974
Louis Carter	Piloting Assistance to Small and Minority Businesses, 1969-1975
James V. Lowry	State Mental Health Services, 1967-1971
William Penn Mott, Jr.	Managing the California State Park System, 1967-1974
David Swoap	The Continuing Story of Welfare Reform, 1965-1983

Interviews Conducted by
Ann Lage, Gabrielle Morris, and Sarah Sharp
1981, 1983, 1984

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PREFACE

California government and politics from 1966 through 1974 are the focus of the Reagan Gubernatorial Era Series of the state Government History Documentation Project, conducted by the Regional Oral History Office of The Bancroft Library with the participation of the oral history programs at the Davis and Los Angeles campuses of the University of California, Claremont Graduate School, and California State University at Fullerton. This series of interviews carries forward studies of significant issues and processes in public administration begun by the Regional Oral History Office in 1969. In previous series, interviews with over 220 legislators, elected and appointed officials, and others active in public life during the governorships of Earl Warren, Goodwin Knight, and Edmund Brown, Sr., were completed and are now available to scholars.

The first unit in the Government History Documentation Project, the Earl Warren Series, produced interviews with Warren himself and others centered on key developments in politics and government administration at the state and county level, innovations in criminal justice, public health, and social welfare from 1925-1953. Interviews in the Knight-Brown Era continued the earlier inquiries into the nature of the governor's office and its relations with executive departments and the legislature, and explored the rapid social and economic changes in the years 1953-1966, as well as preserving Brown's own account of his extensive political career. Among the issues documented were the rise and fall of the Democratic party; establishment of the California Water Plan; election law changes, reapportionment and new political techniques; education and various social programs.

During Ronald Reagan's years as governor, important changes became evident in California government and politics. His administration marked an end to the progressive period which had provided the determining outlines of government organization and political strategy since 1910 and the beginning of a period of limits in state policy and programs, the extent of which is not yet clear. Interviews in this series deal with the efforts of the administration to increase government efficiency and economy and with organizational innovations designed to expand the management capability of the governor's office, as well as critical aspects of state health, education, welfare, conservation, and criminal justice programs. Legislative and executive department narrators provide their perspectives on these efforts and their impact on the continuing process of legislative and elective politics.

Work began on the Reagan Gubernatorial Era Series in 1979. Planning and research for this phase of the project were augmented by participation of other oral history programs with experience in public affairs. Additional advisors were selected to provide relevant background for identifying persons to be interviewed and understanding of issues to be documented. Project research files, developed by the Regional Oral History Office staff to provide a systematic background for questions, were updated to add personal, topical, and chronological data for the Reagan period to the existing base of information for 1925 through 1966, and to supplement research by participating programs as needed. Valuable, continuing assistance in preparing for interviews was provided by the Hoover Institution at Stanford University, which houses the Ronald Reagan Papers, and by the State Archives in Sacramento.

An effort was made to select a range of interviewees that would reflect the increase in government responsibilities and that would represent diverse points of view. In general, participating programs were contracted to conduct interviews on topics with which they have particular expertise, with persons presently located nearby. Each interview is identified as to the originating institution. Most interviewees have been queried on a limited number of topics with which they were personally connected; a few narrators with unusual breadth of experience have been asked to discuss a multiplicity of subjects. When possible, the interviews have traced the course of specific issues leading up to and resulting from events during the Reagan administration in order to develop a sense of the continuity and interrelationships that are a significant aspect of the government process.

Throughout Reagan's years as governor, there was considerable interest and speculation concerning his potential for the presidency; by the time interviewing for this project began in late 1980, he was indeed president. Project interviewers have attempted, where appropriate, to retrieve recollections of that contemporary concern as it operated in the governor's office. The intent of the present interviews, however, is to document the course of California government from 1967 to 1974, and Reagan's impact on it. While many interviewees frame their narratives of the Sacramento years in relation to goals and performance of Reagan's national administration, their comments often clarify aspects of the gubernatorial period that were not clear at the time. Like other historical documentation, these oral histories do not in themselves provide the complete record of the past. It is hoped that they offer firsthand experience of passions and personalities that have influenced significant events past and present.

The Reagan Gubernatorial Era Series was begun with funding from the California legislature via the office of the Secretary of State and continued through the generosity of various individual donors. Several memoirs have been funded in part by the California Women in Politics Project under a grant from the National Endowment for the Humanities, including a matching grant from the Rockefeller Foundation; by the Sierra Club Project also under a NEH grant; and by the privately funded Bay Area State and Regional Planning Project. This joint funding has enabled staff working with narrators and topics related to several projects to expand the scope and thoroughness of each individual interview involved by careful coordination of their work.

The Regional Oral History Office was established to tape record autobiographical interviews with persons significant in the history of California and the West. The Office is under the administrative direction of James D. Hart, Director of the Bancroft Library, and Willa Baum, head of the Office. Copies of all interviews in the series are available for research use in The Bancroft Library, UCLA Department of Special Collections, and the State Archives in Sacramento. Selected interviews are also available at other manuscript depositories.

July 1982
Regional Oral History Office
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University of California at Berkeley

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Project Director

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On behalf of future scholars, the Regional Oral History Office wishes to thank those who have responded to the Office's request for funds to continue documentation of Ronald Reagan's years as governor of California. Donors to the project are listed below.

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VOLUME INTRODUCTION

In the present volume of the Ronald Reagan Gubernatorial Era series, selected functions of California state government are discussed by five senior executives, each speaking from experience in a different department. The interviews explore the management of public programs for health care, small business assistance, mental health services, state parks, and welfare assistance during the administration of Governor Reagan, 1967 to 1974.

The personal backgrounds and philosophies of the interviewees reflect the range of professional and political issues that were significant in policy decisions made by the governor. All five are able men with strong ideas on public administration.

Dr. James Lowry, head of the Department of Mental Hygiene from 1964 to 1971, was one of the few holdover directors originally appointed by Governor Edmund G. Brown, Sr. Recruited from Washington, D.C., to expand local services for the mentally ill, Lowry later negotiated vigorously with Reagan staffers intent on reducing the cost of government by closing state mental hospitals. William Penn Mott, Jr., also had a national reputation and had earlier been invited to become part of the Brown administration. When Mott did become head of the state park system in 1967, he brought with him ideas that would have been popular in the governor's office for combining the separate parks and recreation administrative structures into one entity and for moving responsibility for local decisions to local staff.

Richard Camilli provides the perspective of the career civil servant, with a professional commitment to strengthening staff skills. He talks of his background with the State Personnel Board and, as deputy to Health and Welfare Agency Secretary Earl Brian, of celebrated reorganizations of the state's health care services in 1970 to 1972. David Swoap, too, was a key player on the administration team for controlling the cost of state welfare programs. He describes his work with Robert Carleson on implementing welfare reforms in 1970 to 1971 and, later, when Carleson left to accept a position in Washington, of succeeding him as director of the Department of Social Welfare and carrying on Carleson's policies.

As special consultant on banking and later head of the Office of Small Business Development, Louis Carter recalls the progress of Reagan administration activities to increase minority employment and contracting. Interestingly, Carter, like Camilli and Swoap, has continued to play a major role in state government as an appointee of Governor George Deukmejian.

Other interviews in this series also deal with developments during the Reagan administration in departmental organization and programs. Consult the series list in the back of this volume for specific titles.

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Government History Documentation Project
Ronald Reagan Gubernatorial Era

Richard L. Camilli

HEALTH CARE REFORM AND STAFF DEVELOPMENT, 1969-1974

An Interview Conducted by
Gabrielle Morris
in 1983



RICHARD L. CAMILLI

ca. 1980

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INTERVIEW HISTORY -- Richard L. Camilli

The following interview with Richard Camilli for the Ronald Reagan Gubernatorial Era Project provides the view of an experienced civil servant on the early problems of the Medi-Cal program for public assistance for those unable to pay for medical care and reorganizations within the California Health and Welfare Agency to resolve them. Camilli was interviewed at the suggestion of Dr. Earl Brian who was appointed by Governor Reagan to attempt to control the spiraling costs of the Medi-Cal program. Dr. Brian's oral history also appears in this volume.

In addition to explaining measures he drafted as Brian's deputy, Camilli discusses team training methods he introduced to improve the department's operations. He touches on other civil service concerns with reference to his later years as director of the State Personnel Board, 1971-1973.

At the time of the interview, in December 1983, Camilli had returned to the Health and Welfare Agency as chief deputy to David Swoap, who earlier had served as legislative liaison for the Personnel Board. The interview is valuable in providing perspective on continuity in state government and on the working relationship between appointed officials and the civil service.

The interview was recorded in Camilli's spacious office at agency headquarters in Sacramento, an airy building with a tree-filled atrium, designed in the late 1970s to encourage interaction between the people who work there. A husky, affable person, Camilli answered the questions on the interviewer's outline easily, occasionally stating he could not recall details of specific issues. He reviewed the lightly edited transcript of the interview in 1984 and made only minor revisions.

Gabrielle Morris,
Interviewer-Editor

May 1986

I OFFICE OF HEALTH CARE SERVICES, 1966-1971

[Date of Interview: 15 December 1983]##

Start-up of Medi-Cal

Morris: We like to start with a little bit about your personal background and how you got involved in state government. Are you a Californian?

Camilli: Born in Sacramento.

Morris: Born in Sacramento. That's even rarer than being born in San Francisco.

Camilli: Just slightly before the Gold Rush. My dad was born in San Francisco.

Morris: Was your father in state government?

Camilli: Not at all. And I got into it totally by accident. I had no intention of being in government.

Morris: Prior to the [Ronald] Reagan administration?

Camilli: Yes. I came into state government in 1958 and have been here for twenty-five years now.

Morris: Mr. [David] Swoap was telling me this morning that you were executive director of the Personnel Board.

##This symbol indicates that a tape or a segment of a tape has begun or ended. For a guide to the tapes see page 42.

Camilli: Executive officer they call it.

Morris: Were you already in that spot when Ronald Reagan was elected governor?

Camilli: No, I was in the Medicaid program at that time, Medi-Cal.

Morris: Were you there when the Medi-Cal program was being set up?

Camilli: I was there when it started. I was one of the first people hired into the department, as the chief of the fiscal bureau at that time. I was one of the first four or five people that were hired into the department.

Morris: Who was head of the program at that time?

Camilli: The director of what was then called Office of Health Care Services, who has a Ph.D. in sociology, was Dr. Fernando Torgerson.

Morris: Had he come into state government specifically to head the Medi-Cal program?

Camilli: Yes, I think he had retired out of the military where he had been involved in hospital work.

Morris: Public health?

Camilli: It was with the army. I don't think you would call that public health. He came out of the military.

Morris: Had he come to California? Or had Pat Brown's people recruited him?

Camilli: He came to California for the job.

Morris: So you were there in the ground zero, as it were?

Camilli: Appropriately enough, I joined the program on April 1, 1966. The law was passed in late '65 and the program started in early '66.

Morris: You feel that there were April fool's qualities to the program?

Camilli: I don't know about the program. But maybe myself personally.

Morris: Why is that?

Camilli: I've moved a couple of times on that date. [laughter]

Morris: Is that a fiscally significant date in the Medi-Cal program?

Camilli: No, it's just easier to start on the first of the pay period.

Morris: Had you come into the background in public finance?

Camilli: My basic background had been in personnel. I started as a trainee at the Personnel Board in 1958 and have spent, I forget, about seven years there through various assignments, including being their fiscal officer at one stage. I just had the opportunity to come over to the Medi-Cal program and get into a live program.

Morris: Were you interested in it because it was a new program?

Camilli: I was interested in getting the fiscal experience; broadening out and getting into a line program. I didn't have any particular interest in Medi-Cal as such until I found out that I was being considered.

Morris: What appealed to you at that point? The fact that it was going to be a complex budget operation?

Camilli: Well, one of the things I look at is— There are a lot of complex budget operations around. The difference, first off, is it was an opportunity to get into a line position. And I knew I would be working with a couple of very good people.

Morris: You knew about Dr. Torgenson?

Camilli: That wasn't the two I would probably be working with.

Morris: Who was it?

Camilli: Chuck Stewart was the person that I came to work for. He had come out of the Department of Finance, had a very excellent background; a good person to work with. And Paul Ward was the agency administrator.

Morris: At that point, were computer operations a significant part of how Medi-Cal operated?

Camilli: No, not really. Of course, the Office of Health Care Services did not have all the operational and control activities. Major portions of the program supervision were left in existing departments. The Office of Health Care Services was merely a small overview organization at that time, in the Health and Welfare Agency administrator's office. Eventually, it began to prove out to be totally impossible to operate that way. It eventually became the Department of Health Care Services [1968] and accumulated some of the activities that had been left with the Department of Public Health and the Department of Social Welfare.

Morris: So this was the beginning of the functional organization of different programs.

Camilli: The very beginning. Right.

Morris: Did you foresee that it was going to get as complicated and as controversial as it became?

Camilli: When I started into it? I didn't really know what I was getting into. Typical Italian, I just walked in there.

Career Executive Assignment (CEA) Status

Morris: Were you then--are you now--what they call a Career Executive Assignment?

Camilli: Not now. I have been. I'm an exempt appointee, governor's appointee now.

Morris: That's right. As deputy you would be.

Camilli: Undersecretary.

Morris: I have a tendency to refer to people as they were in the 1970s.

Camilli: We have three deputies that also work here.

Morris: The CEA program was fairly new wasn't it in the mid '60s?

Camilli: Yes, the mid '60s, a little before then actually.

Morris: How did you happen to move over to the Personnel Board, then back to the Personnel Board?

Camilli: I had spent seven years there. And I had spent five years in the Medicaid program. I had been there for five years exactly when the executive officer position became open. I applied for it and went through the civil service career executive examination, interviewed with the Personnel Board and wound up getting offered the job.

[Phone call]

Morris: Did you become a CEA when you took the Personnel Board executive spot?

Camilli: I think I'd been a CEA in the Department of Health Services when I was a division chief. I was an assistant director in Health Care Services as a CEA and I went to the Personnel Board. No, I moved up to an exempt slot. I was the chief deputy in Health Services when I left there as an exempt. I kind of went back and forth a number of times.

Morris: That's the interesting part about the CEA. You're the first live one I've talked to. I've been reading about it and wondered if it does indeed offer opportunities that aren't available in the regular civil service ladders.

Camilli: Not really, because all we do is take positions that have been regular civil service positions and turn them into career executive assignments. Originally it was an offset against the push to have more exempt appointees in government. That has changed rather drastically. In fact the law was changed just last year [1982]. It enables the administration to convert a lot of civil service positions over to exempt, which they couldn't do for a long long time.

I have a particular bias. I grew up in the system and happen to think it did very well for Californians, not just for the civil servants, in that no matter who came into a governmental organization as the appointee, they always found themselves with a very strong technical staff and very capable staff. It's simply a matter of them being able to motivate that staff and give direction. They would immediately have an organization that would function for them. It's moving away from that.

Our present governor [George Deukmejian] has hardly done what was done before. He did move all the exempts, which is a natural thing. Nine years ago when the governor [Edmund G. Brown, Jr.] moved in, he pretty well swept out anybody that he felt had been tainted with a Reagan policy-level job. A lot of us career executives are supposed to be in policy jobs, or we wouldn't be there.

Morris: But they're supposed to be, ideally, removed from political considerations.

Camilli: Yes, but you don't have to prefer charges. All you have to do is give them a notice saying twenty days hence you're no longer with us.

Morris: I didn't mean removed in that sense. I meant that the CEA person ideally operates for the good of the service without any thought of the political implications.

Camilli: That's pretty idealistic. If you're in a policy-setting position, you can't help but be a little concerned and involved with the politics of the thing because you're working for politicians.

II STATE PERSONNEL BOARD EXECUTIVE, 1971-1973

Board President Anita Ashcraft

Morris: When you went to the Personnel Board--that was in 1971?
Five years?

Camilli: Nineteen seventy-one.

Morris: Also on April 1?

Camilli: Also on April 1.

Morris: That's an easy way to keep track of things for your records. Was that when Anita Ashcraft [Wentner] became--?

Camilli: She was president of the board at that time.

Morris: Did she have to clear, approve whoever came into that spot?

Camilli: She had to get three votes out of the five members.

Morris: The board gets to vote on its own--?

Camilli: The board makes its own appointments.

Morris: What were her interests in terms of being chairman of the Personnel Board?

Camilli: I don't understand that question to the point where I can answer it. When you say what was her interest--

Morris: What kind of guidelines did she want you to operate under?

Camilli: The board as a total board made it clear that they were concerned that the system had kind of stagnated and that the Personnel Board staff itself wasn't moving. They clearly wanted change. They

wanted reorganization. They wanted things to be a little more dynamic. That was our understanding.

Morris: A little more dynamic?

Camilli: The board had gotten into the role of, "We'll wait and see what the department suggests and then we'll react to it," rather than actively getting involved in helping the department solve the particular problem they were facing.

Morris: What were the pressing problems in--?

Camilli: Depends on what department you're talking about. There were plenty of personnel problems any day in any area that you wanted to work.

Collective Bargaining and Other Issues

Morris: At that point was collective bargaining becoming an issue that the Personnel Board needed to deal with?

Camilli: No, they didn't have to deal with it except that it was being proposed by the legislature during my tenure there. But it never passed. We had always opposed it on the basis that the state constitution clearly said that you couldn't go to collective bargaining because it vested those powers in the State Personnel Board, a constitutional body.

Morris: How about the California State Employees Association? Were they a major viewpoint that the Personnel Board needed to consider?

Camilli: They represented a lot of employees although they weren't an official bargaining agent. They were always heavily involved, since they did have a lot of membership. They did a very good job technically of getting involved in the issues. Frequently they hired staff from the State Personnel Board. They were strong advocates and pretty effective. I think they were even more effective with the legislature than they were before the board. They worked on both of those elements.

Morris: They felt that the legislature was a more important body to influence than the Personnel Board?

Camilli: Well, you can come to the State Personnel Board, the board had a responsibility in those days to recommend on salary increases to the governor and to the legislature in its annual report. They would work with the board on a technical basis and also appear in

front of the board at salary hearings to try to get as much money as they could into the budget, or into the report.

But then they also have to get them through the legislature. The legislature has to appropriate that money. So they would work on that side. There were times when the board would not accept something because of their own technical view that this wasn't appropriate. CSEA was very effective in getting to the legislature from the political standpoint and getting something in.

Morris: There weren't too many women in appointed spots at that point. Was Mrs. Wentner an effective person as chairman?

Camilli: Sure. Two of the five board members were female during my tenure.

Morris: Who else?

Camilli: May Layne Bonnell [Davis]. She was a sister-in-law to former Governor Brown.

Morris: To Pat Brown?

Camilli: Yes.

Morris: She had been in state government.

Camilli: I don't remember her background or history. I had five board members. Two were female and three were male.

Morris: Did they have different viewpoints or a different role to play on the board?

Camilli: Only on one occasion.

Morris: What was that?

Camilli: They came back from lunch one day in the cafeteria upstairs and were absolutely distressed at the attire of some of our slightly more overweight female staff and wanted me to adopt a dress code immediately or I was going to get beat up, I think, by the two of them.

Morris: Would that have been when pants suits first appeared on women?

Camilli: No, I think they were more concerned about the tank tops. It truly had gotten to a point where there were some non-professional--there was a certain amount of independence in thinking about how you were going to dress. It wasn't very appropriate attire. Mini-skirts were in. Some people didn't look terribly good in those.

Morris: Was the governor's task force on efficiency and cost control, were those recommendations still being implemented when you were with the Personnel Board?

Camilli: Governor Reagan's? They came in in '66. I went over there in '71. That was so long afterwards that I don't think anybody even looked at them any more. That was five years later. They either had done them or hadn't done them by then.

Morris: Were there some contacts with the governor's office to express their views as to what kinds of concerns they were interested in in terms of state employment?

Camilli: I'm sure they talked to members of the board that they had appointed.

Morris: There wasn't any liaison with the governor's office staff?

Camilli: Between myself? Oh, sure. I had to work with them all the time. My official line of liaison went through either Earl Coke or later on Jim Stearns, who were the agency secretaries for state consumer affairs or whatever they called it in those days.

Morris: Agriculture and Services.

Camilli: Yes, I think they called it something like that.

Morris: That did not get as reorganized as much as some agencies.

III MEDI-CAL PROGRAM CONCERNS

Earl Brian and Carel Mulder as Directors of Health Care Services

Morris: When did you come in contact with Earl Brian?

Camilli: I came in contact with Earl Brian in early 1970 when he came into the then Department of Health Care Services and was assigned to us as a consultant. We put him on the payroll as a consultant. He had just returned from Vietnam, where he was much decorated.

And shortly thereafter--he'd been there a few weeks--we found out he would be the new director when the existing director then retired.

Morris: A couple of people have said that this may not have been the right spot for Carel Mulder; that Health Care Services was not the thing he might have been best at. Would that be your experience?

Camilli: No, I wouldn't necessarily agree with that. There were a lot of things that go into the making of a good director. I think in his early days Carel [pronounced Carl] did a very fine job. I think there were some other things that happened later on that tended to impinge on his effectiveness.

Morris: Had he been in the Department of Public Health? And then he was moved over to Health Care Services when that was set up?

Camilli: No. If I remember his background properly, he had been with the state ten years prior with the Department of Social Welfare when

the medical programs were started there.* They were called Public Assistance for Medical Care, PAMC, and the Medical Assistance to the Aged programs; they were the original programs prior to the Medicaid and MediCare.

He had been a fiscal officer in the Department of Social Welfare and was very knowledgable and had gone to the federal government and had been there for about ten years, working in different things in HEW at that time, when he was recruited to come back to California in 1967 and took over as director of the Office of Health Care Services when the change in administration occurred.

Morris: We talked to Hale Champion a couple of years ago. His view was that he would have liked to have seen some controls on the way the financial arrangements were set up when Medi-Cal was first set up. Do you remember him being a part of those negotiations?

Camilli: The negotiations were done before I got into the program. They were done with the legislature in 1965. In the end of '65 they passed the bill. I was not involved at that time.

Morris: So that then is not in your territory. Then you stayed with Dr. Brian when he became director?

Camilli: Yes.

Morris: As fiscal officer?

Camilli: When he came in I was one of the division chiefs. I was an assistant director for administrative services.

Morris: He commented that one of the first things he did was to sit down with health care providers and talk about the revisions that were needed. Did you set up those kinds of negotiations?

Camilli: I didn't necessarily set them up. I was party to them because after he got here I became his chief deputy.

Morris: How did the medical providers view the situation? What kind of revisions did they feel were needed?

*Extended medical care for public assistance recipients in California became available October 1, 1957, by enactment of state legislation in accordance with the 1956 Federal Social Security Amendments Act.

Camilli: I can't even remember at this point.

Morris: Who all would have been invited to sit down?

Camilli: The California Medical Association, the California Hospital Association, probably the pharmacists' and the nursing home associations, I think. Those would have been the main ones.

Morris: Were those regular people that you dealt with in working out department programs?

Camilli: Sure. Each of them have an executive director. He was normally there. And whoever was president of those associations would attend. Those would be the people you would be involved with.

Morris: The presidents would change from time to time.

Camilli: Sure.

Cost Control Questions; 1970 Reforms

Morris: The legislature and the governor's office seem to have been both concerned about the way the costs of the program were increasing. Did the providers share that concern?

Camilli: Well, they're the ones who are the recipients of the money. So they won't share the same concern, because that's who was getting paid. They were concerned about the cutbacks, any controls that would have to be put on, because when the legislature and the Pat Brown administration adopted the program it was a free-market system. Mainstream medicine was the war cry of that day.

They basically took off virtually all the controls that had been on the old programs, which had been primarily contained by making all recipients go back through the county hospital system. This just opened up the system totally. It was underfunded right from the first go-around in the Brown administration. They chose not to deal with that issue because 1966 was an election year.

Morris: That same charge was raised, I think it was by Assemblywoman March Fong Eu in 1970, when Governor Reagan announced there was a short-fall of 140 million dollars. She said that the legislature should investigate what was referred to as deliberate underfunding.

Camilli: You could say that in those times, but they weren't going into the same kind of situation.

Frequently that happens is you come in with a budget and you're projecting caseload and expenditures. This happens whether you're talking about the Department of Corrections and the number of people that are going to be in prison or other departments dealing with large numbers of people. The tendency is to try to keep a lid on in the fall, when you're putting the budget together. This is true of all caseload programs.

Morris: You project the minimal increase?

Camilli: Normally that's what the fiscal people will tend to push. The Department of Finance, that's their normal role in life, is to make the departments try to prove everything. And then it's just an accepted fact that every year you will come in with what's called the May revise based on an update of the caseload factors in March.

Frequently you have to do that. There are a number of departments that for years operated on special deficiency appropriations. Once again, the Department of Corrections and the Youth Authority have the same problem.

That charge was kind of playing politics. It's no big deal.

Morris: A shortfall is by your description an annual event.

Camilli: It can be. It was in those days. In certain programs, the legislature and everybody just almost deliberately did that just so that you would not give the bureaucrats and the program people extra money to play with.

In the initial instance though, that program was being sold that this was going to be a great saver, in 1966--

Morris: Medi-Cal was going to be a great saver. Why was that?

Camilli: Beats me. I could never understand it. I just know that in mid-'66, Chuck Stewart, my boss, and I sat down and hand-wrote a memo that said this thing is going to be \$110 million in the hole.

Morris: The first year?

Camilli: The first year and a half. Actually, it was a year and four or five months. We were told to shut up. Then when Reagan got elected they handed it to him and said, "Mr. Governor-elect, you've got a problem."

Morris: Why did it take until 1970-'71 to make the major overhaul?

Camilli: [chuckles] Because there were some people who did not want to overhaul it and pull it back.

Morris: They thought it was going along satisfactorily?

Camilli: For whatever reason; I can't attribute their reasons. All I can tell you is they didn't want to.

Morris: But then when Dr. Brian came in, he came in with that particular charge--?

Camilli: The administration, I think, had been quite unhappy that the program was continually out of whack. He came in in 1970 and found that we were short of money. We went through a heck of a thing to get through the fiscal year. At the end of that legislative session in mid '70 he and I sat down--we were here in the building next door--and said, "Whew! We survived." And I said, "Yes, but it's going to be just as bad again next year. All we did is put a big band-aid on this sucker."

He said, "What do you mean?" I said, "All the elements are there for it to be an overrun again. This is the way the legislature has written it. This is the way they have resisted any change to pull it back into line. Until we get some control on it--and we need legislation to do it--we will face these things every year."

Morris: Were there changes in the legislature by 1970 that made it look like this was a better time to try and get some revisions?

Camilli: Not necessarily. By that time I would think that—if I remember right—there was a fairly good swing in the legislature when Mr. Reagan first came in. Then, I think it gradually, just like it does most times, ekes back the other way over a period of time. I don't think that the legislative climate was any better except that they were starting to get tired of this continual fiscal crisis.

I think that the major element involved in finally getting through what was called the first Medi-Cal reform, in 1971, was the fact that Earl Brian was a very effective negotiator and did a terrific job. I had left the program by then, so I don't have to take any humility pills.

Morris: You were only with him, then, for a year?

Camilli: I was only with Earl for a year. I was in the program for five except that I was only with Earl for a year.

Morris: What were you able to do administratively, then, in the time that you were with him?

Camilli: To control the program?

Morris: Yes.

Camilli: Not much, because the law was written so broadly you couldn't do much. We did what we could. We put in a number of things. But the major thing that I did was draft up the basic bones of the outline of what needed to be done at that time. I can't even remember what the elements were now. I basically wrote about a three or five-page memo saying this is what we need to do. It became the initial kick-off for the 1971 Medi-Cal reform bill.

Morris: Would you have been involved in the passage of that bill?

Camilli: No. By then I had left, as they started to introduce that bill and to lobby it. Earl Brian was by far the major influence on that. He was able to do that because he worked very effectively with members of the legislature and particularly then-Speaker Bob Moretti, who even though he was a Democrat and quite liberal had recognized the problems and was statesman enough to work together with Earl in putting that package through.

It was the first serious attempt to finally get the program back under control.

Protecting the Governor's Pocketbook

Morris: How about the Department of Finance in all this. You were talking about projections. Were these your projections or were these projections coming from Finance?

Camilli: The actual caseload projections in the initial instance were done by the Department of Social Services (then Department of Social Welfare) because that's where the people had been who had done the estimates under the old medical programs. Eventually that unit--a couple of units were transferred into the Office of Health Care Services. That eventually became part of the Department of Health Services.

Morris: Finance has been referred to as having been very interested in what was going on in Health Care Services and coming over and telling you what to do.

Camilli: Finance is always interested in everything that involves the budget, particularly when it's big dollars. That's their role in life. They're to be the critical factor in helping the governor decide. They represent the governor's pocketbook. The departments represent their programs and come forward. So you're always into a tussle with the expenditure level.

There is always a question. If you have weak departmental administration, it could very easily be that the Department of Finance basically tells the departments how to run things. But if you have strong departmental direction, you decide how you're going to run the program. Certain people are more effective or less effective at negotiating those things.

Morris: It sounds as if Dr. Brian and Vern Orr, who was by then finance director, may have had stronger disagreements on the proper role of the Department of Finance than some other departments.

Camilli: Sure, because the Department of Finance had had a heavy say during the earlier years and tried to tell Earl how he was going to do things, including who he was going to pick for certain positions. Earl decided he was going to run the department himself and Finance was not going to run it for him.

Morris: Did that cause any difficulties later on?

Camilli: It gradually got better over the years. There were some hard adjustments at first.

Morris: Could I ask you if you could tell me some more about a recent suggestion that there was a time when Dr. Brian and Mr. Orr disagreed on the need for a tax increase and Dr. Brian's figures turned out to be better than Vern Orr's?

Camilli: I'm aware of that.

Morris: Was that in 1972?

Camilli: I forget which year that was. That could well be. I was over in the Personnel Board at the time. So I wasn't in the agency and wasn't working with Earl.

Morris: There was a lot of controversy about whether or not the increase in the sales tax that had been authorized was going to be instituted and I wondered if that was the tax increase referred to.

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Camilli: Whichever one it was, he was in effect challenging Finance's figures so, in a way, Earl infringed on the Department of Finance's turf.

Governor's Cabinet as Coalition

Morris: That's true, except that the relationship between the Department of Finance and the other departments is one of the more interesting ones, the way the state operates. It tends to shift back and forth.

Camilli: As I say, it depends greatly on the individuals as to where they stand with the governor or the administration; how close in they are. Frequently when administrations are put together, there will be kind of a coalition. One agency secretary or department head may be very, very close to the governor, main line, part of the campaign and everything. And another one will represent some other part of the party which may or may not have been supportive, maybe even on the opposite side during a primary. It's kind of an accommodation.

Well, that secretary may not in all likelihood have nearly as good an access to the governor and to the key staff members and just won't be listened to as much as another secretary. On paper you could have them being equals or even stronger and weaker, but in fact have a very different role. Human relations aren't as neat as they're drawn up on the charts.

Morris: They seldom are.

IV HEALTH CARE SERVICES REORGANIZED

Consolidating Existing Functions, 1970

Morris: Had you helped Dr. Brian design some of the reorganization he did within Health Care Services?

Camilli: Yes.

Morris: Did that accomplish what you had hoped it would?

Camilli: Yes. You want some background?

Morris: Yes.

Camilli: Well, Earl and I had a very strange beginning. He had had a chance to look at the department and he knew what parts of it were running well. And he knew what parts weren't. We had had a long dragged-out process going by which somebody was doing a study of the organization, an assigned staff member. It was coming up with some really strange things, including dismantling my part of the place. The Department of Finance had told Earl that I was a bad guy and that he should fire me. And that's what he told me in the first conversation we had.

About three weeks later he said, "How would you like to be chief deputy?" He obviously didn't listen to them too well.

But he came in one day and said, "What do you think about the organization?" I said, "You have the report." He said, "Yes, I want to talk about the report. I want to know what you think about it; what we ought to do." So we sat down and I got the chalk board and started to draw up organizational things. And I said, "This ought to be over here and that ought to be over there." And he'd say, "Well, I don't like that one. I think it ought to be over here because of this." And I'd say, "Yes, fine. That can work too."

Eventually we sat down and drew up an organization chart. He said, "Fine, can you write this up?" So I wrote that up. He took that to the agency and to the governor's office and got it approved very quickly. That became the organizational structure for his first year.

Morris: Based primarily on your experience in the department earlier when it was just getting set up?

Camilli: Four years of experience up to that point.

Morris: The agency secretary at that point was Jim Hall?

Camilli: No, it was Lucian Vandegrift.

Morris: That's right. Did he have a major role in nudging things to happen in Health Care Services?

Camilli: [laughter] No. You didn't have to nudge anything to happen once Earl Brian got there.

Morris: Did Vandegrift stay on top of it, or was he primarily involved in other parts of the agency?

Camilli: The agency in those days was even larger than it is now because at that time it still had Industrial Relations, and Corrections and Youth Authority as part of that one agency. It was a monstrous agency. I'm sure that any agency secretary sitting at that time, when they found a director as active as an Earl Brian, spent as little time as they could dealing with it because you had this dynamic person running it for you and you had other demands on your time all over the place.

Morris: Did some of the other departments that had previously had a role in medical programs feel that Health Care Services was taking away things that were supposed to be in their turf?

Camilli: Oh, sure. Social Welfare had had the programs for years. They resisted. That was why the original legislation left the bulk of that activity over in the Department of Social Welfare. Public Health especially was very, very defensive about their piece.

Morris: Giving up their piece?

Camilli: Yes. They kept it for a long time. That was the subject of lots of battles before it ever got pulled together in a single department.

Morris: But it did work better to pull them out of the previous departments and put them together?

Camilli: In my biased view, of course. How can you have a so-called organization that is running a program where major pieces of it are answering to different directors who have a different view of things?

Morris: A couple of people have suggested that part of it was a push from the federal government that wanted to deal with a single agency when it came to programs in the state.

Camilli: The federal law says that you're going to have a single state agency. That's basically to deal with fiscal stuff. You could do that just like we did. Legally, we were okay in terms of the federal law with the Office of Health Care Services. They don't care how you deal with things internally as long as they have a single place to deal with and know who to go to for audits and audit exceptions and all that. I don't see that as a major factor.

Federal Regulations; Legislative and Advocacy Interests

Morris: How about the business of California periodically asking for exemptions from federal regulations because the size of the program in California was so large a part of the program nationally?

Camilli: I don't consider it so much the size of the program as much as that everybody you talk to who studies the social evolution of America finds that California tends to get out on the forefront. So frequently we find things written into the federal statute which are constraints that are written in there that may be helping some other states to come forward. And we find them restrictive because they keep us from doing something that we would like to do that goes past where they are. Or we think there's a better way to do it. That's still going on today.

Morris: Did you work out those requests for exemptions with people in Washington or with the regional office in San Francisco?

Camilli: The regional people didn't have enough say to grant any of those exemptions. Sometimes we found even the secretary of HEW didn't have enough. He'd tell his bureaucrats to get it done and nothing would happen because they didn't like it.

Morris: And then what would you do?

Camilli: We'd scream and yell until we could get it done.

Morris: Scream down the Congressional pipeline?

Camilli: No, we didn't play that game. We went directly through the administration, back to the secretary, to the president's office, wherever.

Morris: Was that helped by the fact that there were some Californians already in the White House at the time Mr. Nixon was president?

Camilli: There were a few. It did help some, but not much. The fact that California is a rather large state does help. The fact that we're a long ways away from Washington, D.C. makes it very difficult.

Morris: Really? Even with the telephone?

Camilli: Sure. Frequently the federal people are drawn from the states that surround Washington, D.C. That's where their contacts and their homes and their base are.

Morris: The civil service folks?

Camilli: A lot of the so-called career people there. So it's easy to call up the State of Virginia or the State of Maryland or Carolina and ask, "What do you think? Let's get together and discuss this thing." Whereas it gets to be a major production to get somebody from California back there.

Morris: How much influence did the reforms and the revisions going on in the Medi-Cal program have with the process of revising and reforming the other, non-medical, welfare programs?

Camilli: Some of that got tied together in 1971 in the first reform package. It was all part and parcel of the same thing. But I wasn't familiar with it and don't really know enough to tell you anything. I just know that they were co-mingled.

Morris: One of the hardest things to do is to try and separate out the Medi-Cal program from the rest of the social welfare programs.

Camilli: I'm sure that in the hard bargaining that occurred in the passage of the legislation there was some give and take. But I was not party to it and really couldn't comment on it.

Morris: Was there a policy board attached to Health Care Services like the Department of Social Welfare had a social welfare board?

Camilli: Yes, there was. I forget what it was called right now. There was some division of some sort. It was an advisory one, not a policy.

Morris: Advisory. Did they play much of a role?

Camilli: In devising the cutback? Not really, because most of that group was made up of representatives of the health industry and professions.

Morris: Were the negotiations with the industry representatives more or less difficult than negotiations with the legislative people?

Camilli: Not being involved in either one, I couldn't tell you.

Morris: You didn't sit in on them?

Camilli: Not in 1971. I was doing something else.

Morris: My time frame is turned around here. Dr. Brian speaks so highly of you that I had made the assumption that you had stayed with him throughout the time that he was in state government.

Camilli: No. Through '70 I was his chief deputy and then in '71 I went to the Personnel Board and was there until he had left state service to run for office. But we still are close personal friends.

Morris: I can believe it.

V THE ADMINISTRATION AND THE CIVIL SERVICE

Morris: The Personnel Board interests me because of Mr. Reagan's concern with reducing the cost of state government, which you usually think of in terms of cutting back on the number of employees. Was that kind of the thrust of your work at the Personnel Board?

Camilli: No. We didn't have anything to do with the number of state employees. The State Personnel Board's role was primarily to manage the merit system. That meant the testing, selection, the creation of classifications, recommendations, and setting salary levels for the state civil service system.

Basically you react to the organizational constraints that are put on the department by the Department of Finance and the legislature when they build the organization. Taking the duties and responsibilities of the position, the Personnel Board classifies it. This is a senior engineer. This is an associate engineer. And then attaches a salary to it, and then conducts examinations and selects qualified individuals.

Morris: Is there much role, then, for having impact of the governor's policy on what you might do?

Camilli: What? Cutting back the--?

Morris: On the job descriptions, or merit standards, or something like that?

Camilli: It's a major independent body. You have some things that used to make the Department of Finance and the governor's office concerned all the time. There was a requirement in the law that said that the State Personnel Board would recommend on salaries. That was without regard to the availability of funds. When you set salaries it was only within the availability of funds. But the annual recommendation was without regard to funds. That could make the governor's office mad.

Morris: I can believe it. There was a general increase in state salaries, wasn't there? In '73?

Camilli: I don't remember each year. There was generally an increase in most years during the--

Morris: The governor pointed to it with pride. I wondered if he'd started out wanting to reward state employees for good service.

Camilli: In '73?

Morris: Yes.

Camilli: Well, he came in in '67. I think that the common thing that has happened all the twenty-five years I've been around, is that frequently people come in with a very low regard for the civil servants and very quickly find out that the bulk of them are anxious to do a job and want to go home knowing that they've contributed and respond very well to leadership.

Frequently you would find that, after a relatively short period of time, those coming from the outside would say, "Doggone civil servants, but not mine. Mine are working hard and they're doing a good job. And I've got good folks." I've seen this repeat so many times that I could almost play the record.

Morris: It's kind of the other side of, "You've got to cut the cost of state government, but not the service that I use."

Camilli: Well, that's partly it. It's kind of like that. What you really find is there was for a long time in California one of the best merit systems, and you had very highly qualified staff in most departments. The administrations would quickly move in and get a very responsive team. Earl, interestingly enough, who came in with high suspicions, coming totally from the outside and being a doctor, quickly found that since the civil servants really didn't have an outside agenda of their own, he felt quite comfortable trusting his civil service staff.

Morris: That's interesting because in some other departments there was extreme concern that some of the civil servants were making joint cause with some of the advocacy groups.

Camilli: That can happen in some. We didn't have a constituency of that sort identified with the Department of Health Services. Plus we did some other things that sort of offset those kind of things.

Morris: Like what?

VI TEAM BUILDING IN STATE GOVERNMENT

Health Care Services Model, 1969

Camilli: We did what we called team building. In the modern literature it's called organization development and a variety of things. We took and used the major element, namely what we call team building.

It was interesting. Earl had just been named but the old director and chief deputy were still there. I had tried to get them exposed to a guy who'd been through the training on how to do this. What it really does is accelerates the growth together and understanding of each other and being committed to a common cause, process. We had this presentation. The then director and chief deputy just kind of went, Pooh-pooh, just another one of these dumb things and it just isn't going to work.

Morris: Motivational exercises?

Camilli: Yes, we went through a lot of the interpersonal relations and T-group training where you took your shoes off, put your feet up on the table. Did lots of dumb stuff and said, "I don't like the way you dress."

Whereas the kind of team building that I was presenting at that point, or had our facilitator come in and present, is oriented toward work process. You only deal with the things that get in the way of work. We don't worry about your clothes or the way I part my hair unless it gets in the way of the work. If it gets in the way of the work, then we'll deal with it. But otherwise we don't deal with that.

Morris: Building an area of agreement?

Camilli: Just building a common commitment or understanding. These two guys were pooh-poohing the whole thing.

Earl Brian said, "I don't know. This sounds pretty interesting to me." At which point they flipped right over the other way. So we started. We brought the individual into our organization eventually and started the first real team building that I've gone through. I've since used it many times.

Morris: Is this similar to the ideas that are being discussed in this book In Search of Excellence, about the really productive American company?*

Camilli: It could be an element in it. I don't know if it's--

Morris: That you have a lot of interaction and as much as possible a very lean administrative structure so that you've got people in close contact generating a lot of ideas and observing each other's productivity and bouncing off each other's ideas.

Camilli: I don't know if we were that wonderfully esoteric about the whole thing.

Morris: That's the idea of the book. I don't know how closely that relates to reality.

Camilli: What we tried to do was basically-- Here we are pulling together a team. And we've all got particular roles and we want to get together, understand our roles, understand what the mutual concerns with these roles were, the questions that would happen. Maybe if I described the process we went through it might be of some help.

Basically what our--facilitator is what we called the person--would go and interview each of the individuals and with non-attributable comments try to summarize what you're concerned with. Like, "What is the role of so and so? I don't understand what they do. Why do I have to deal with this? What does Earl really think about me?" Whatever the concerns are.

We had a fairly wide range of people. One of the division chiefs at that time was a self-professed liberal Democrat. Earl, of course, was the most conservative of our group. And the rest of us ranged in there. You would take the data and put it up on some butcher paper and hang it around on the room. When we came

*In Search of Excellence: Lessons from America's Best-Run Companies, by Thomas J. Peters and Robert H. Waterman, Jr., New York: Harper and Row, 1982.

in, he wanted everybody to read the material. You could own up to it if this was your concern or your comment if you wanted to later on.

But everybody was to read all the material before we sat down. And then we decided how we wanted to deal with what these concerns were. We loosely grouped them and then we went through them. And we tried to deal with every one of those concerns. You built an aura of trust and confidence in one another no matter what happened out there. If somebody said, "Boy, Rich said you were a bad guy," you knew that was bull because you knew I wouldn't say that outside this team.

Morris: And there was a place where you could come back to with these--

Camilli: And then we would reinforce that by periodic follow-ups.

Morris: How far down in the organization did this--?

Camilli: Well, generally you don't want to use in any one session more than about three levels. What you will do is, for example, right here, Dave Swoap, who's now our agency secretary, joined me at the Personnel Board and he got exposed to his first team building over there. Later on he became director of Social Welfare. He used team building and, incidentally, the same facilitator for his team building. So he and I have been through this thing more than once.

Other Agencies' Experience

Camilli: Now, we have team building here within the agency staff. We also had a team building session (incidentally, with the same facilitator I used in 1970) with our departmental directors. Several of the departmental directors have had team building with their top staff.

Morris: With their immediate staff. I see. Do any of those staff people take it on down and do it with their immediate people?

Camilli: Some will and some won't.

Morris: Would you tell me who the facilitator is? This sounds like an interesting process.

Camilli: Yes. George Wells.

Morris: And he is now a state employee?

Camilli: Yes. He's a correctional counselor at Vacaville, the state prison there.

Morris: He is now or he was?

Camilli: He is now.

Morris: That's an interesting transfer.

Camilli: Oh, yes. Well, I've been an associate warden at Folsom also.

Morris: Really. When did you do that?

Camilli: This time last year I was sitting in Folsom prison.

Morris: Had you been there for some time? Or did you go out into the field to get some experience?

Camilli: I had been in the Department of Corrections and I went out to prisons in '82. I spent some time out there.

Morris: Somewhere along the line did you work with Ray Procunier?

Camilli: Ray was the director of Corrections when I was director of Employment in 1974. So yes, we've worked together. He was director when I was at the Personnel Board. And of course we've worked on their personnel issues. So I know Ray. He's a good tennis player too.

Morris: I believe he's probably good in anything he does. He attacks things with vigor and enthusiasm.

An Element of Risk

Morris: Does it work better in one situation than in another?

Camilli: The team building?

Morris: Yes.

Camilli: The key element to it is that everybody who goes in has a certain feeling that they're at risk, because any time you open yourself up to other people you're putting yourself at risk. The person who is most at risk though, is the number one person in that particular organizational scheme. If that person doesn't put themselves out there and be open and risk themselves, then it's not worth doing. And they have to make that commitment themselves.

Morris: They have to be willing to put up on the butcher paper, "This is what I'm concerned about about the people I work with."

Camilli: They have to do that. But they also have to be willing to respond to the concerns of the rest of that team in an open and honest fashion. When Dave Swoap walks in and sees the concerns of his staff displayed up there, he has to be willing to deal with that. If he is reluctant to deal with that then there is nothing that the facilitator or anybody else can do to make that a successful occasion. It just won't work.

Morris: What kinds of things can the number one person do, faced with the words on the wall?

Camilli: He just has to deal with the problem. And that's one of the things that Earl Brian was extremely good at.

[Phone call]

Morris: Would these team building sessions include the number one person saying, "I hear what you're saying. I will change the procedures that we use?"

Camilli: Some of that. Basically though, what we were doing is-- George Wells in particular, more so than most facilitators that I've used, would push to draw conclusions in that, "Hey, we are committed to do this. We're going to make a commitment to us as a group. I will commit to do it this way or I will commit to perform that. Or we will commit to function in a certain fashion."

Morris: Could you give me a for instance?

Camilli: [pause] My boss here. If you bring things to him, he will tend to bring them in and try to take them over. So we get him just overloaded.

So he makes a commitment to stand by. He says, "Okay, you make the decision that it doesn't have to come to me. And you decide. If it blows up, I make a commitment to stand by you. I may have to reverse it. It may have been the wrong decision. But I'm not going to kill you as an individual. I trust that you were trying to do the best job. I just have to recognize the fact that none of us are perfect. Therefore, I make a commitment to you, Rich, that I'm not going to chop your head off."

Therefore I can then go out and function on his behalf doing the best I can knowing that I'm going to screw something up some day. But when I do--

Morris: You're going to take the decision.

Camilli: But I'm going to go ahead and make the decisions. And he's committed to accepting that. And he isn't going to say, "Why didn't you bring that to me."

You make those kind of commitments to one another.

Dr. Brian's Leadership

Morris: Earl Brian liked this idea and was comfortable with it?

Camilli: Very.

Morris: It would seem to me that that kind of a process would facilitate easier interpersonal relations in other spheres too. If he was involved in this kind of process and liked it and used it, how come so many people find him abrasive?

Camilli: He is abrasive.

Morris: [pause] That is different from being negative about things.

Camilli: Well, he's not negative. He's just abrasive. He's cocky as heck. He's also smart as heck. We could have hated him. But having gone through this process, we understood the good points about this guy. He was also very loyal. He'd go to war for you. I don't have the slightest question that if you talked to him and asked him about me, he would say good things about me.

Morris: That's why I'm here. He said, "You really need to talk to Rich Camilli." And I think that he would say that he wanted me to hear about this team building.

Camilli: What happened is, sure, we all recognized Earl is cocky. He's arrogant. He's pushy. But we also saw the other sides of him. And we were committed to this team building to be his team. We went through all kinds of things together and never crumbled. Those people stuck together. And we still have a regard for one another.

Morris: When you say went through all kinds of things together--

Camilli: Tremendous pressures. Hearings, legislative. Accusations. Investigations. All those things.

Morris: Were you or your people sued? Social Welfare was sued on these reforms.

Camilli: Oh, sure. I'm sure we were sued. In '71, of course, I don't remember what they got sued on because I wasn't there. We're named in suits all the time. That's part of being in government.

Morris: How far through the government did this idea go during Reagan's administration?

Camilli: Not very far, as far as I know. I don't know that any other agency other than Earl's groups used it. George Wells might know if any other outfits did it. I continued to use it where I was. I used it at Employment and in the Personnel Board. Swoap used it at Social Services, Social Welfare in those days. And a couple of other places. But I don't know of anyone else that was using it much.

Morris: Did any of the idea filter around into the governor's office, the staff people working directly with him?

Camilli: I don't think they ever used it.

Morris: It's an interesting idea in terms of not only team building but the productivity and the goal-oriented--

Camilli: You can never accuse Earl of not being a risk-taker. He was willing to take that risk to accelerate and tie this team to him. Because there he was. What was he? Twenty-eight, twenty-nine year old kid? Fresh out. But he's smart, worked hard, did his homework. And he scared the hell out of me every now and then.

Morris: Really?

Camilli: Oh, yes. Because he'd make commitments that--you'd go, "My God. I don't know how he's going to back that one up."

Morris: Things that he hadn't discussed with you?

Camilli: Every once in a while he'd do one of those.

Morris: He'd get a flash of something as to where an idea might go?

Camilli: Yes.

Morris: Was the fact that he was twenty-eight--was this one of the things that needed to be discussed with the nearest people that you worked with?

Camilli: Oh, sure. How is this guy going to be our leader? We grew up in a system in those days where you accepted the idea that people were going to come from the outside and be the leaders, that they should have the tie to the political forces. That's why you have elections. We didn't have any problem with that. That's part of our role, is to be supportive of whoever was there and to give them the best professional and technical advice and support that you could manage. So we didn't have any trouble with that.

There was a little bit of, like, "My God, who is this kid?" We very quickly found out that he was very smart and he was also very dedicated. When you also found out that he would work hard and he would really go to bat for you, like most civil servants, they respond.

Morris: Was the fact that he was very bright and very positive about his ideas--was that the essence of his access to the governor?

Camilli: I'm not sure how he had originally gotten access. Whether he was involved in the campaign in '66 before he went to Vietnam, or not. I think he was involved in some of the campaign to some degree and got involved with certain people who then became part of the governor's office staff.

Morris: He was the executive director to the Social Welfare Board before he went to Vietnam.

Camilli: He got appointed to that. But I think his original contacts included people like then appointment secretary Ned Hutchinson, before he died. I think he got involved in the politics during the campaign in '66.

Morris: I think people who were involved in the campaign recognized this was a bright young fellow and suggested him.

Camilli: Possibly; sure.

Morris: They did a very broad sweep in looking for qualified people to appoint.

Camilli: We had had so much trouble with the Medi-Cal program, when he popped back in 1970 they said, "Okay." I'm sure they kind of took a gulp too.

##

Camilli: There's another side of him, too. He always treated my wife wonderfully, and still does, and did this summer when she went back to New York with me. He just really looked after her. She

recognizes that, yes, he's cocky. And in certain respects he's funny as heck. But she still likes him.

Morris: Where did he develop his skill with financial concepts?

Camilli: I think he'd always been interested in money. Before he even got here he had authored a book on the stock market. I still have a copy of it at home, called Cycliphase.* It was how to analyse or predict the movement of the stock market.

Morris: Had he written that while he was in Vietnam?

Camilli: No, I think he had written while he was in college. Obviously there was a long-standing interest in those kind of things. And his business success indicates that he understood it fairly well.

Morris: His transfer from medicine to state government to Financial News Network is rather startling.

To what extent would these team building sessions deal with where the department was right now and things that needed to be resolved in terms of how the program was operating?

Camilli: Quite a bit of that would get in there. That's where we would make commitments on how we were going to operate. It depends a lot on-- I can't remember specifically what we were doing back in 1970, even though I'm supposed to have a fairly good memory. But I can't remember all of it because I've been through a few other things. You would try to commit to some things like this is where we really want to go and this is where we are going to take things, folks.

Morris: And we can let these others go in order to get the primary ones?

Camilli: We would focus on the critical ones. But we wanted to know what the direction is. I find that's part of my push in one of these sessions, particularly if you're playing a number two role. This was one of the things that made Earl's team very effective is that we were able to understand where we were going. If we knew we were trying to go in this direction and the idea that was being propounded went in the opposite direction, we all said no. We didn't have to talk to Earl. We already knew it was wrong because we had already described where we were going.

*XECOA, 4200 California Street, San Francisco, 1968.

So you tried to describe your mission and identify the direction you wanted to take the program. This greatly enhances the ability of everybody to make decisions.

Morris: Did any of the direction get shifted or changed because of word coming down from the governor's office?

Camilli: Oh, sure. There is always a constant process of floating things up and getting them banged down and changing and emphasizing, because you have a particular point of view and they have a different point of view. That's part of the slowness sometimes of the American system. It's also part of the great strength as to why we don't get too wildly off into the boondocks.

VII MORE ON THE PERSONNEL BOARD

Support for Merit Principles

Morris: Are there any key aspects of the Personnel Board and how it functioned that maybe we should take a further look at? Or is it so autonomous and insulated from the governor's office that what it was doing is not really part of Reagan's impact on state government?

Camilli: It wasn't really that insulated. It did have its role. And it played its independent role. Simply because of Anita Ashcraft's and my ties to the administration, we probably stayed as close as any Personnel Board administration had to a governor's administration. We knew those folks and we'd work with them. I guess they viewed us as part of their crowd, team.

Morris: How long was Mrs. Ashcraft chairman?

Camilli: Well, I don't remember exactly. It's a ten-year term and each member would spend at least two years as president.

Morris: The Personnel Board is a ten-year term?

Camilli: Right.

Morris: So that a governor does not get to change everybody on the board.

Camilli: Oh, no. You have to be elected a second time before you have achieved your third appointment. One appointment comes due immediately in January of your first year. Then two years later you have your second appointment. You have to get re-elected before you get a third appointment. It takes a while.

Morris: Was Mrs. Ashcraft of the proactive variety as chairman?

Camilli: Yes and no. Basically what the board said to me when I went over there was, "We want these things to get done and you go do them. Tell us how you're doing and get this thing up and get it alive and be active." We changed. We got Dave Swoap to come in and be our legislative representative.

Morris: Did you have a legislative person before?

Camilli: Yes. But in those days he was basically just what the legislature had wanted. He was basically a technical resource person rather than an active advocate. They didn't want departments to have active advocates back in the '50s and '60s.

Morris: But the Personnel Board decided that they needed to--

Camilli: They wanted a more effective presence over there.

Morris: Did it make a difference?

Camilli: I think it helped on some things.

Morris: You got more things going the way the Personnel Board wanted?

Camilli: Yes, I think so. I think we were effective.

Morris: To what extent would they let you develop what you thought was the best way to go?

Camilli: Very much so. They were a very good board to work with. My interesting observation in those days was that the board, regardless of their background or feelings or thoughts, eventually came to support the merit principles quite well and really looked after that principle and their legal responsibility.

You would think that coming from such political offices, for example May and Anita, one coming from the Pat Brown and one coming from Reagan team, would be very much at odds on a lot of things. It very rarely happened.

Morris: How does the merit principle relate to the accepted state practice of if you've been in grade for so many years you automatically get a raise and you automatically get a salary adjustment when the budget gets an adjustment?

Camilli: This is a very difficult thing because what you have is a salary range. Generally--there are differences--but generally, you have five salary steps. You're eligible for a salary increase each year. It's not truly a merit salary adjustment, although that's what it has been called. But after four years, there are no more

of those. So there isn't the true longevity program that you have in the federal government.

The problem with the program in terms of making it a real merit system is that the law says that to withhold a salary adjustment, you have to take a disciplinary action. So have you have to prove a case to withhold it. You don't have to make a case to give it. This means that the supervisor virtually goes on trial for withholding a salary adjustment. And there's no real payoff for it, to the supervisor, to go through that agony.

So ninety-nine point something percent of all so-called merit salary adjustments are always granted, simply because it's just too painful and there is no reward to the manager to go through the agony of withholding one.

Fair Employment; Active Minority Recruitment

Morris: The other area is that the '60s and '70s were when there was a lot of development in fair employment practices and policies. To what extent did that impact the Personnel Board?

Camilli: Very much. And I was accused of not being very responsive in many areas, because I would not compromise a lot of the principles that I believed in in terms of it being a real, earned, merit program. I believe very strongly in increasing the training to help people come up to meet those standards. I was not in favor of lowering standards.

And I was very much in favor of actively recruiting because there were lots of qualified people out there who, just perceiving what has gone on, never would bother to apply; even though they were active in other things and had qualifications, they just didn't bother.

For example, there's a group around the California system right now who have a nickname. That group got here because I brought in a chief of administration to assist me when I came over to the Personnel Board. He's black. And he went out at my urging and actively recruited for our administrative trainee classification. So we wound up with a list that had a significant number of blacks and browns on it which we'd never had.

At one point I said to him, "You know, it's really interesting, George. This is good and I like it. But do you notice that we always talk about and we look at the test scores and we find that Asians do quite well. We talk about how they

emphasize education. And we don't have any on our list. You mean they're not in college and they're not eligible for this?" And the next list had a lot of Asians on it. So they call themselves, that particular first group--they call themselves the "Asian invasion." That's ten years ago.

Morris: [chuckles] That's great. These were people who came in and then went out into jobs in various state agencies?

Camilli: They came into the State Personnel Board, the bulk of this particular group. This was a class we used in--

Morris: As your trainees?

Camilli: As my staff at the Personnel Board, right. They were trainees. And now a number of them are around in different places in California.

Morris: There were--first, Bob Keyes and then Melvin Bradley in the governor's office were community relations aides. Did you work with them at all? Or did they have any suggestions that you--?

Camilli: Quite a bit with Bob. We would talk to them. We had a substantial staff of our own. Whereas they had virtually no staff, compared to us. So we had quite a network already built up. We'd ask for their advice. They were good guys to work with.

Morris: Did they have any channels that you might not? Or ideas on this active recruiting?

Camilli: I don't recall that they really had a whole lot that we didn't already have.

Morris: How do you define active recruiting?

Camilli: In some jobs you just don't have to actively recruit. In others you have to go to-- For example, you're trying to recruit college people. You go to that campus and you set up interviews and you post bulletins and you put up a display.

Morris: And you send a notice to the black students' association and the Chicano students' association?

Camilli: All of those kind of things, in order to get contact with those groups, in order to try to encourage people to come in and to let them know that you really are serious about them coming to join you.

Other places you don't have to recruit. For example, if you want to hire a correctional officer at Folsom prison all you have

to do is post a bulletin for a couple of days. And it could be on the back side of a door. There'll be five hundred show up at the gate to apply.

Morris: You post the notice at the correctional institution?

Camilli: Oh, yes. We post it all around.

Morris: People are really eager to be correctional officers?

Camilli: It depends on where you are. Some of the institutions have to recruit. But at Folsom, you don't have to.

Morris: What is there about Folsom that makes it a good place to--?

Camilli: It's a well-run institution, the locale, and you have an acceptance of government employment in this area. So you have a lot of people that are government employees. So at Folsom, the town kind of grows up around the place. You have a lot of second and even third generation and family people working out there. You will have two brothers, a niece, and a cousin all on the same staff.

Morris: So that they've grown up understanding and liking the idea of state employment.

Camilli: Right.

Morris: It's time for me to wind up and for you to go to another meeting. I guess what is in my mind is, is there a parallel between that kind of acceptance of a role in life and what they call the welfare dependency cycle? If you know your friends and family have been supported this way, it seems like the normal way?

Camilli: There is some of that. And of course the demands of getting into the system are not all that high. There is a certain element of that. But there's also an onus just to being a state employee. Unfortunately, I think since World War II, we've had some unfortunate overtones in our whole society where we pushed very hard that everybody was to go to college. My folks drilled that into me when I was a kid, that I was going to college. Well, not everybody's really suited to go to college and don't really need to.

After a while, you begin to understand the true value is not that you had an education or that you have a white collar job. The person who does a good job is worthy, whether they be a correctional officer or sitting here as I am with a suit and a tie on-- Do you do a good job?

Morris: And is it good work?

Camilli: Yes. A person who's a janitor and dedicated to doing the best thing they can and contributing as much as they can is just as important and should feel and be regarded just as well as anybody.

I had to chew out one of my young staff members at Folsom one day when he came down here and brought something along for me. And I introduced him to Dave Swoap. He's of Japanese descent, and his father is a correctional officer at Folsom also. So when I introduced him to Dave, Dave was making conversation and asked him what his dad did. And the young man said, "Well, he's just a correctional officer."

I was furious. I said, "Stanley, how could you say that? He's not just a correctional officer. He's a damn good one. He does a good, necessary, meaningful job. He's one of the kind of guys that helps hold the place together. I don't want to ever hear you say that again."

Morris: That's carrying your team-building all the way down to the front lines, as it were.

Camilli: I guess. I feel very strongly about that. I guess that's one of the things I always push. I guess that's one of the things that Earl kind of used to like is that we tied that team together; tied people to us.

Morris: Yes, all the way down. Thank you. I'll let you get on to your next meeting.

Transcriber: Ernest Galvan
Final Typist: Sam Middlebrooks

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Louis Carter

PILOTING ASSISTANCE TO SMALL AND MINORITY BUSINESSES, 1969-1975

An Interview Conducted by
Sarah Sharp
in 1984



LOUIS B. CARTER

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INTERVIEW HISTORY - Louis Carter

Louis Carter was one of the dozen or more black appointees in Governor Ronald Reagan's administration. Carter's private-sector experience as a small-loan specialist for Crocker Bank in Sacramento made him an ideal choice as director of the California Job Development program, enacted in 1968. In the following interview, Carter describes the evolution of the Cal-Job Corporation from 1969 to 1975 in working with state banks to create a loan program and to provide technical assistance for small businesses and businesses owned by minorities. He speaks carefully and with pride of his work, noting that "a lot of insight and a lot of thought was put into the creation and development of this program by the legislature as well as the Reagan administration."

Carter had been recommended for the position by Robert Keyes, the governor's community affairs assistant, and he quickly won the respect of his boss, James Hall, superintendent of the state Banking Department. Even after Hall became secretary of the Business and Transportation Agency and later of the Health and Welfare Agency, he continued to take a personal interest in Carter and Cal-Job, as related in an interview with Hall for this same oral history series.

Carter's recollections of the program begin with his focusing on its pilot state when Oakland and a portion of Los Angeles were selected as the target areas and Cal-Job assisted in the establishment of minority-owned banks in these cities. He goes on to discuss expansion of small-business assistance activities to include a state purchasing program, as well as efforts to combine and coordinate other agencies' job and business programs for the economically disadvantaged. He recalls, "We felt that if we had resources within state government, they should be centralized ... not making duplicate decisions or duplicate funding for, say, individual areas."

In addition, he provides information on other black appointees of the Reagan administration, including mention of a minority workshop where they occasionally met together. He also was involved in the work of black Republicans in Sacramento and comments wryly, "There was a lot of explaining as to why a black would be a Republican in those days." Contrary to most other members of the Reagan administration, who generally did not participate in election campaigns, Carter was active in local party efforts in 1968, 1970, and 1972.

At the time of this short interview, Mr. Carter was superintendent of state banking in California, dividing his time between the Sacramento and San Francisco offices of the State Banking Department. Dr. Sarah Sharp conducted the taping session in Mr. Carter's office located in the financial district in downtown San Francisco.

When the interview had been transcribed and edited, a copy was sent to Carter for review. He went over it thoroughly and added a dozen brief clarifying details as requested by the interviewer-editor.

Gabrielle Morris
Project Director

July 1986

Regional Oral History Office
Room 486 The Bancroft Library

University of California
Berkeley, California 94720

BIOGRAPHICAL INFORMATION

(Please print or write clearly)

Your full name Louis Carter

Date of birth 9-1-33 Place of birth Stroud, Oklahoma

Father's full name Archie Carter

Birthplace Arkansas

Occupation Janitor, Crocker Bank

Mother's full name Alma Carter

Birthplace Oklahoma

Occupation Retired

Where did you grow up ? Hanford, California

Present community Sacramento, California

Education College of the Sequoias

Occupation(s) Banker

Special interests or activities

Fishing, boating, antique car restoration.

BIOGRAPHY OF LOUIS CARTER

Mr. Louis Carter was appointed Superintendent of Banks by Governor George Deukmejian on May 2, 1983.

Mr. Carter was born on September 1, 1933 in Stroud, Oklahoma. He moved with his parents to Hanford, California, a small town south of Fresno, in 1936, and received his primary and high school education in the public schools of Hanford. In 1953, he was graduated from College of the Sequoias, Visalia, California.

Upon graduation from College of the Sequoias, Mr. Carter entered the United States Marine Corps, leaving the service in 1964. He joined Crocker National Bank in January 1964.

In May 1969, Mr. Carter took a leave of absence from Crocker National Bank to assume the position of Special Consultant to the State of California Superintendent of Banks. In that capacity, Mr. Carter advised and assisted the Superintendent of Banks in the development and implementation of a newly-legislated Small Business Assistance Pilot Program, a program designed to assist in the development of new businesses in California.

In September 1969, Mr. Carter was appointed by then Governor Reagan as Executive Director of the Office of Small Business Development, formerly the California Job Creation Program Board. In that capacity, he was responsible for administering the statewide California Job Creation Program Law and the Office of Minority Business Enterprise and Small Business Assistance Program Law. Twelve major California banks participated in this program and Mr. Carter was instrumental in obtaining direct participation of the U.S. Small Business Administration and the State Pooled Money Investment Board. All during his employment with the State of California, he remained on leave of absence from Crocker National Bank.

Mr. Carter returned to his Bank in July 1975, and was assigned to his position as Vice President of the Business Banking Center on November 1, 1980. In that position, he specialized in commercial business loans to middle market companies with \$3 million and above in sales.

Mr. Carter is also involved in civic affairs in Sacramento. In 1967, he served as Treasurer of the Sacramento Businessmen's Advisory Council and in 1969, he served as Chairman of the Program and Proposals Committee for the Sacramento Urban Coalition's Business Opportunity Council and the Task Force on Entrepreneurship.

Mr. Carter has served as Chairman of the Financial Committee of the Sacramento Board of USO Council, Loaned Executive from Crocker National Bank for the 1968 United Crusade Campaign, General Chairman for the Sacramento County Fund Raising Act for Child Care Centers, Committee Member of Edwin Z. Kelly Foundation to select minority students for broadcasting scholarships, Republican Party Active Member, Campaign Chairman of Sacramento County's "Commitment 68" for the 1968 Nixon-Agnew Campaign, Member of Steering Committee in 1972 Republican Presidential Campaign for Sacramento Black Community, and Board of Directors of Travelers Aid Society of Sacramento. Mr. Carter serves on the Board of Directors of the Conference of State Bank Supervisors and is a board member of Republican Associates of Sacramento County.

Mr. Carter is married to the former Dora Mae Booker. They have three children and reside in Sacramento, California.

I RURAL CALIFORNIA CHILDHOOD; EARLY BANKING EXPERIENCE
[Interview 1: July 17, 1984]##

Sharp: From the brief biography, I know that you came to California from Oklahoma and moved to Hanford. I thought we might just get a few notes about what your life was like in Hanford and up to the period you were in the marines, then we can quickly move into the period that you started at Wells Fargo.

Carter: Crocker.

Sharp: Excuse me. Crocker.

Carter: [laughter] Interview's over!

Sharp: At Crocker National Bank in 1964. We can talk a bit about what you did at Crocker and then how you got into state government. But let's just start with a few notes about your family.

Carter: Well, my family, of course, moved to California from Oklahoma during the Depression, 1936. California, being such a large agricultural state in those times, my father moved out first and started picking cotton, chopping cotton. And then about six months later, the family moved out. We moved to Tipton, California, and then a few months later we moved to Hanford, and my father then went to work for the WPA [Works Progress Administration] and the railroad.

When the war started, he started at Lemoore naval, or it then was Lemoore army air base. He was packing parachutes. After the war, he went to work for Crocker Bank as a janitor.

##This symbol indicates that a tape or a segment of a tape has begun or ended. For a guide to the tapes see page 27.

Sharp: Was your mom working outside the home at this point? Or was she working only in the home?

Carter: No, she was working in the fields, also. We would pick cotton, chop cotton, pick fruit, cut grapes. She worked outside the home most of my childhood life. In fact, she worked for Crocker Bank with my dad as a janitor.

Sharp: It sounds as though you were working in the fields as well.

Carter: Yes, I was. We were going to school, of course, but any opportunity we had to make some extra money, we went out. I remember Thanksgivings we were out a week, out of school; we'd go out and pick cotton and make a few dollars. And during the summer we'd always try to get jobs weeding cotton or just about anything we could get.

Sharp: So, was your school interrupted at all by having to do this or was it strictly a part of what would have been your vacation time?

Carter: Yes, no interruption in school whatsoever. Working was mostly by choice because we wanted to have some extra spending money.

Sharp: How much did you get?

Carter: Oh, I don't remember. I think we were getting anywhere from \$1 a hundred when we first started, up to three, or three and a half a hundred, picking cotton. And grapes, we'd get 1¢ or 2¢ a tray, sometimes 5¢ a tray. But it was adequate, I felt, for the spending money that we needed. And it was good discipline, I think, for us to get out in the fields and work.

Sharp: How many of there were you?

Carter: I have an older sister and a younger brother.

Sharp: So you're in the middle. I know you left in 1964, but I'm not sure when you went into the marines.

Carter: Well, I finished high school in 1951 and went to the College of the Sequoias in Visalia, California, with the intention of continuing school to obtain a CPA [certified public accountant] degree. When I graduated from the College of Sequoias, I went into the Marine Corps: it seemed that it was the right thing to do. I stayed in for ten years. So, it was 1953 that I enlisted.

Sharp: Okay, and then it looks like, from the brief biography, you went to Crocker right after you got out of the marines.

Carter: I started to work for Sears. I worked for Sears, selling, for about six weeks, then got hired by Crocker Bank.

Sharp: Were you recruited by Crocker, or did you--

Carter: I put applications in at Crocker, Bank of America, the title companies, Armstrong rubber plant.

Crocker hired me on what they called the Basic Banking Training Program. I was thirty years old at the time. It was supposed to be a two and a half year program. After about three months, they called me in to San Francisco and put me on the next highest training program which was the Operations Supervisor Training Program. I completed that in about eleven months and then got assigned to one of Crocker's branches in Sacramento, as operations supervisor.

I was there for about a year and a half, and went on what they called the Administrative Training Program, and completed that in about six to eight months. Then I was assigned as an assistant manager in one of the branches in Sacramento.

Sharp: So you were living in Sacramento and stayed with Crocker. If you could just sum up for me what your responsibilities were toward the end of your period at Crocker, toward 1969, then we could get into how you took a leave of absence from Crocker.

Carter: As assistant manager, I was responsible for operations of the branch in addition to lending activities and all phases of lending--commercial loans, real estate loans, retail type credits.

The regional manager of the Sacramento region then requested that I transfer to the Sacramento main office and specialize in a loan program; small business loans to mostly businesses that could not qualify for normal loans. So I developed that special program for Crocker for the Sacramento area.

Sharp: Since much of the efforts that you went into once you began to work for the state were in the area of assisting minority business, I'm wondering if you had a lot of contacts with minority businesses when you were at Crocker and if that was part of your specialty, also.

Carter: Well, not necessarily.

I was working with small and minority businesses. I did know a lot of minority business persons as well as medium and small businesses of all ethnic groups.

II THE OFFICE OF SMALL BUSINESS DEVELOPMENT, 1969-1975

Appointment as Special Consultant to the State of California Superintendent of Banks, James Hall, 1969: Directing the Pilot Program, Small Business Development Program

Sharp: In May of '69, you took a leave of absence from Crocker, and your title was Special Consultant to the State Superintendent of Banks, who at that point was Jim [James M.] Hall.

Carter: That's correct.

Sharp: And the State Banking Department was in the Business and Transportation agency. The agency secretary at that time was Gordon Luce, as I recall. Your special consultant position, was a new position that was created?

Carter: Right. It was legislation that was passed in 1968 that created the Small Business Assistance Program Law [AB 1046] and the California Job Development Corporation Law [AB 109]. The Superintendent of Banks at that time was responsible for implementing the Small Business Assistance Program Law. Additionally, he was on the board of the California Job Development Corporation Law, was responsible for helping to get the Cal Job program off the ground.

Sharp: Did you know about the legislation that created this?

Carter: I knew about the legislation because, while I was with Crocker, I was with an organization that was comprised of quite a number of business and other persons in Sacramento. I don't remember the name of the organization. But the organization was formed specifically to attempt to take advantage of getting into the Cal Job program for the lending, and also the management and technical assistance that could be given to the small and minority businesses.

Description of implementation of the Small Business Assistance Law and the California Job Development Law in 1969, from the "Sixtieth Annual Report of the Superintendent of Banks" of California, 1969.

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the Comptroller of the Currency and the state banking authorities in bank supervision. For qualifying states, it would mean that state-chartered banks would in time be relieved from the burden of a second examination each year by a federal banking authority, as well as from other duplicatory activities. The third suggestion of expanding the powers of the FDIC Board would be to bring together the viewpoints and background of the Federal Reserve System and the state banking authorities, as well as provide the former with continuous information on the internal workings of the banking system. The fourth recommendation dealing with financing the improvement of state banking departments would coincide with the growing belief that the federal government should share some of its revenues with state governments.

On July 30, 1969, the National Association of Supervisors of State Banks released a comprehensive report entitled *The Supervision of State Banks: Purposes, Standards and Responsibilities*, prepared by the Washington, D.C. financial consulting firm of Carter H. Golembe Associates, Inc. The report, which had been commissioned in June 1968, made 23 recommendations concerning standards and guidelines for measuring the quality of state bank supervision and set up procedures for evaluating a state banking department. In addition, it dealt with the broader problem of bank supervision in the United States, recommending the realignment of the regulatory function between the 50 state banking departments and the federal agencies. Although not all recommendations were immediately adopted, there were strong indications that NASSB would continue to pursue the goal of strengthening balanced bank supervision.

In California, the work of the Banking Law Advisory Committee, which had been established in November 1967 to undertake a comprehensive study of the California *Banking Law*, was terminated on June 19, 1969.⁴ Upon the announcement of the proposed conversion of Wells Fargo Bank, in 1968, the activities of the committee were suspended, and in the months that followed, little encouragement to reactivate the committee was received by the Superintendent of Banks. Without the support of the California banking industry, it was decided to terminate the work of the Committee.

Two important developments for the banking industry in California and the State Banking Department were the implementation of the Small Business Assistance Law and the California Job Development Corporation Law during the first half of 1969. The Small Business Assistance Law (AB 1046, 1968) established a pilot program under which the Superintendent of Banks was to select "two low income areas" in the state and to contract with not more than three eligible non-profit associations to provide technical assistance in the establishment of small businesses in the selected low income areas. In May 1969, Mr. Louis Carter was named as a special consultant to the Superintendent of Banks to assist in carrying out this program, succeeding Mr. John K. Lopez who resigned. On June 6, the Superintendent contracted with the Oakland Small Business Development Center, Inc. to

⁴For background and Committee membership, see *Fifty-Ninth Annual Report* (1969), page 8.

furnish technical services in an area covering portions of Richmond, Berkeley, and Oakland. On June 19, he announced the selection of the California Green Power Foundation, Inc., to provide similar assistance in the Los Angeles area, including Watts and Compton. A third contractor, Interracial Council for Business Opportunity, was selected to serve in an adjoining area covering Central Los Angeles, East Los Angeles, and Pasadena.

The California Job Development Corporation Law (AB 109, 1968) was designed to channel financial resources into economically disadvantaged areas of the state to develop minority entrepreneurship and employment opportunities for the disadvantaged. The California Job Development Corporation Law Executive Board (made up of nine members chosen by the Governor representing business, labor, the disadvantaged, and finance; three members of the Executive Branch of State Government, including the Superintendent of Banks; and two members of the State Legislature) held its first meeting on March 6, 1969, and selected Mr. Harold E. Levitt, Vice President of Dempsey-Tegeler & Co., Inc., Los Angeles, as chairman. Its major function will be to develop rules and regulations governing the allocation of the \$1 million in funds appropriated by the 1968 Legislature to provide administrative and loan guarantee funds to job development corporations. In turn, these local job development corporations will establish loan guarantee funds to provide financing for otherwise non-creditworthy small businessmen. The first job development corporation formed under the law, Opportunity Through Ownership, was established under the leadership of the San Francisco Clearing House Association (including seven major banks: Bank of America N.T. & S.A., The Bank of California, N.A., Crocker-Citizens National Bank, First Western Bank and Trust Company, Security Pacific National Bank, United California Bank, and Wells Fargo Bank National Association) on March 6, 1969. As part of their membership commitment, the founding banks pledged \$1.1 million—later increased to \$2.1 million—and administrative costs to cover its operation. Even though the corporation had only been in operation for a short time, by June 30, 1969, it had made loan commitments amounting to \$262,000 and had co-ordinated management assistance for seven businesses—including a transportation service that ships fragile items and a magazine oriented to black women. In addition, it had 26 other loan applications totaling \$1.8 million from various businesses located in six San Francisco Bay Area counties. To guarantee these and future loans against default, the law established a \$1 million State Job Development Loan Guarantee Fund, \$100,000 of which was allocated to Opportunity Through Ownership. Plans for the formation of other job development corporations in the state are presently under discussion.

In the field of bank credit cards, California banks continued to dominate the scene. Master Charge showed a sales volume in the state of \$301.7 million during the year ended June 30, 1969. It listed 1.8 million cardholders and over 100,000 participating merchants serviced by the 98 member banks of the Western States Bankcard Association. BankAmericard, which was introduced by Bank of America N.T. & S.A. in 1958, recorded an annual sales volume of over \$400 million with 2.7

Sharp: So was it meeting with certain legislators to give them input on the legislation and what was desired?

Carter: No, this was after the law was passed that I got involved in that. We were merely attempting to start or form a Cal Job corporation.

Sharp: Is this how you came to the attention of the Reagan administration, through your efforts to participate in the Cal Job?

Carter: No. When I was assigned as the assistant manager of one of the Crocker branches, I would pick up the phone and call legislators and certain administration officials and invite them to lunch, attempting to get their business. And whatever other banking relationships that could be obtained. I met quite a number of the legislators. One person I met was Bob [Robert J.] Keyes.

Sharp: We don't have very much information about Mr. Keyes.

Carter: Well, I knew Mr. Keyes very well. Very well. An exceptional individual. But, he is the one who encouraged me to try to get into state government, specifically with this program. When he found out that there was a need for someone, he arranged an interview between myself and James Hall.

Sharp: And Mr. Hall, again, is someone we don't have very much information about. Was it a matter of Mr. Hall saying to you, "This is the position: You're the kind of person that we need," was it that informal, or was there a larger screening process that you might have gone through?

Carter: Well, it's my understanding that he as superintendent, could select a special consultant, and I sent him a resume. We sat down and talked, I think on two occasions. He hired me as a special consultant, which was supposed to be for a period of about nine months.

Sharp: Did you meet Mr. Reagan through any of this process, or earlier?

Carter: I had met Mr. Reagan earlier. I doubt whether he remembered me. When I was still with Crocker Bank, I was general chairman of a fund raising drive for child care centers in Sacramento. I had the pleasure of meeting Mr. Reagan in his office, and also Mrs. Reagan at one or two of the functions that we had on-site at child care centers.

Implementation of the Cal Job Program and the Small Business Assistance Program

Sharp: I'm wondering what the transition was like: taking a leave of absence from Crocker and then moving into state government. I would think that it would be a very different kind--

Carter: Very exciting. Very exciting. Course, I was working here in San Francisco. Still living in San Francisco. I'd stay a week at a time here. And it was just very exciting. I got to travel—it was the first time I'd ever ridden on a jet aircraft.

My specific charge when I came to work for the superintendent was to select three consulting agencies and two economically disadvantaged areas to provide management and technical assistance to small and minority businesses. And one of the areas was the East Bay—Oakland—and the other was south central Los Angeles.

Sharp: How did you decide on those areas?

Carter: I did not decide. I think that the legislature decided. Or the legislature, I believe, if I remember correctly, stipulated that the superintendent would select the two disadvantaged areas.

Sharp: Did this have any relationship to the Model Cities program?

Carter: I don't believe it did.

Sharp: One of the other interviews that I had, in fact it was last week, was with William Beachem.* I don't know if he's someone you ever met.

Carter: Yes, I know Mr. Beachem.

Sharp: He was on the Real Estate Commission. Before that, he was involved in the Watts Model City program as a person consulting on housing. So I was wondering, because of what your efforts were--just the definition of your efforts--whether you might have had some contact with the program itself?

*This interview is in process.

Carter: Oh, I had contact with just about all the Model Cities agencies here in California, particularly in the--well, just about all over California--with the intention of trying to get them to participate or see what opportunities there could be. Because they had economic development arms within the Model Cities agencies attempting, perhaps, to concentrate resources. Not only the Model Cities programs, but the poverty programs which also had economic development capability.

And so, my attempt, while I was director of this Cal Job program, was try to concentrate the efforts of everyone out there that was attempting to work in similar areas in order to make the program a lot larger and more concentrated, where the assistance could be delivered in a more effective manner.

Sharp: Can you assess how that goal was implemented, how it worked?

Carter: Well, I don't think it ever came about. It was a little bit difficult to do so. We could work with different Model Cities agencies. However, there was a little reluctance to incorporate all the activities, say, into one delivery system. For various reasons, of course.

Sharp: The Model Cities efforts in Berkeley--North Oakland area--I've been told that, regarding people from the local level who got on the Model Cities committee, there was just a lot of disagreement about how the program should be implemented and not so much coordination with people at the federal level. Those at the local level couldn't agree on exactly how the program should work. I'm wondering if that was a common theme.

Carter: Not to my knowledge. My only involvement, of course, was the area of economic development: financing small and minority businesses, whether they be in the Model Cities area or just about any place in California. So my specific effort all along was to try to, again, concentrate resources to create a more effective delivery system for economic development, management, technical assistance, technology transfer, loan packaging for the small and minority businesses in the different service areas.

Sharp: What was the financing of the small and minority businesses in this period like? I'm interested to know how much you would be financing a small business, and whether it was to get the business started or support a business in financial trouble and not able to keep going. Could you tell me a little about how the financing occurred?

Carter: Basically, when the law was passed in 1968, it created a state loan guarantee fund in the amount of \$1.1 million. It authorized the financial institutions to form what we called at that time regional Cal Job corporations. The first corporation was formed in San Francisco. It was seven banks that were involved, and I think they made a commitment to lend about \$1.1 million. And the banks would get allocations from the board of the Cal Job program. This was allocation for loan guarantees.

Now the regional corporation comprised of banks would provide the loans. They would advance the loans from their monies that they had committed, which in turn were guaranteed in part by the state loan guarantee fund.

Businesses that were funded were new start-ups, and existing business for expansion. If a business was in difficulty, and sought financing from the organization, the organization would carefully review the business to see what the feasibility was to put additional money into it.

But this was a very different, difficult type of lending. Because we're looking at what we call marginal, sub-marginal type loans.

Sharp: It was risky.

Carter: Right. The businesses were not able to receive consideration for loans from any other source. That was one of the qualifications. So high-risk lending is very difficult to do. Very difficult to do.

Sharp: I'm interested to know, in this period especially, what the obstacles--well, you just mentioned some of the obstacles to your work in terms of it encouraging these kinds of banks to participate--but I'd like to know what kind of arguments you might have used to persuade some of these banks to participate.

Carter: Well, I think we're talking about a special area for a special time in history. If you recall, there was an effort started by Mr. Nixon, President [Richard M.] Nixon, which was called black capitalism. As a result of that, there were many efforts going on throughout the United States to assist small and minority businesses to obtain financing for the purpose of creating jobs, and to provide loans and management and technical assistance, and also technology transfer capability, to these small and minority businesses that could not get consideration for financing or other assistance anywhere else.

Sharp: So what was happening in California was an expansion of Mr. Nixon's ideas?

Carter: Well, I guess you can call it an expansion, but I believe California had one of the most unique programs within the nation. In fact, there were quite a number of states that came to look at what California was doing. I feel that we were the leader. I think that a lot of insight and a lot of thought was put into the creation and development of this program by the legislature as well as by the Reagan administration while he was governor here.

The obstacles, I think, were just primarily a lack of knowledge on how to finance marginal and sub-marginal businesses. Losses were expected, losses were experienced. But, I think lenders learned by the experience. I think they did better as time went on.

There are some businesses that are still going very strong as a result of this assistance. And there were numerous jobs that were created as a result of funding these businesses. I believe that a lot of people taken off of public assistance were hired as a result of these businesses obtaining loans to expand or start business.

Sharp: What was so unique about the California program that people from other states would want to come?

Carter: Well, number one, we had participation by thirteen California banks.

There was a state loan guarantee fund that also played a very large part in the picture. I was instrumental in getting the cooperation and direct participation by the Small Business Administration [SBA] where we were able to coordinate the activity for the state loan guarantee fund which would be utilized to provide, perhaps, the up-front seed money for the business to help qualify for a SBA loan.

Then one of the participating banks of the regional corporation would make the loan to the businessman--the balance of it--which was guaranteed 90 percent by the Small Business Administration. And so the bank was exposed 10 percent; the state loan guarantee fund was exposed maybe 10 to 15 percent, maybe more in a lot of situations; and the SBA--the Small Business Administration was, of course, exposed 90 percent.

Carter: These were the type loans that, maybe they were just a little bit better than marginal, where the business had a good opportunity to succeed. So there were quite a few deals that were put together in this manner.

Sharp: It seems like it might be truly gratifying to call a small businessman or businesswoman on the phone and say, you know, "You have the loan." Did you get to do that yourself or did somebody else get to take care of that?

Carter: No, this was the responsibility of the regional job development corporations that were making the loans. My role was mostly administrative--overseeing the regional corporations, their activities.

Directly involved, however in the Small Business Assistance Program. I guess there were a total of eleven--consulting agencies, about the time of the end of the program, that we were contracting with to provide management and technical assistance. This was comprised mostly of loan packaging, providing consultants from various areas--the colleges, the universities, SCORE [Service Corps of Retired Executives], SBA Program--to provide the necessary management or technical assistance to the small businesses.

The SBA also attempted to develop a technology transfer program. We had conversations with Jet Propulsion Laboratories, with NASA [National Aeronautics and Space Administration], and I brought on two consultants to develop that program. We developed it and contracted with one organization to provide technology transfer assistance to small businesses where they would identify products or systems developed through scientific research then try to match products, systems or services that could be adapted to a business venture so that a small business person could hopefully develop into a viable business.

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Sharp: Did Mr. Hall meet with you occasionally to get a sense of how your directing was coming along and how the program was coming along?

Carter: I met with Mr. Hall constantly.

Sharp: What was his input to you and what was his participation like?

Carter: Well, he was very highly motivated in this area, and continues to be motivated in this area. He was responsible, I think, for a lot of this--a lot of the elements of the programs. He was responsible

Carter: for getting a lot of the participation from the banks. As Superintendent of Banks, he was on the Cal Job board and he became secretary of Business and Transportation agency., in 1970, I believe. Seventy or '71.

Sharp: He was between Mr. Luce and Frank [J.] Walton.

Carter: Right, because Luce had left, so it must have been 1970. I think it was 1970 that Jim--let's see, December '70--yes, he was, in 1970, the secretary of the Business and Transportation agency. He continued to play a major role in the program because of his interest. In fact, I was housed in his agency for a while and then, subsequently, he was assigned or appointed as secretary of Human Relations agency and he continued to be very interested and involved in the Cal Job program.

Sharp: If there was a situation where a bank might have been deciding to get involved in the program, was it possible that Mr. Hall might have made some contacts with the bank itself to help encourage it to participate? Is that the kind of interest that Mr. Hall had?

Carter: That was a major interest amongst others. Yes. We met with quite a number of presidents and chairmen of banks. After the San Francisco corporation was started, I know we met in Fresno, we met in San Diego, we met in Los Angeles.

Sharp: We're always interested to know what the lateral contact was like within state government between offices and agencies. So I'm wondering, for example, if you might have had contact with Lewis [K.] Uhler* and Robert Hawkins** when either of them, when they were at the office of OEO [Office of Economic Opportunity], for example.

*Lewis K. Uhler, "Chairman of Task Force in Tax Reduction" an oral history interview in The History of Proposition #1: Precursor of California Tax Limitation Measures, Oral History Program, Claremont Graduate School, 1982.

**Interview in the Reagan Gubernatorial Era series in progress.

Carter: I had contact with Lou Uhler when he was state director of the Office of Economic Opportunity. And I had contact with Hawkins, also, because they were administering the OMBE program—the Office of Minority Business Enterprise—out of their Department of Commerce. Subsequently, that program was placed under the Cal Job program, under me.

Sharp: And what was the contact like? What kinds of issues were you working on together?

Carter: Well, mostly trying to coordinate the programs: eliminating duplication as far as assistance was concerned because we believed that there should not be duplication. There should not be any dwindling of resources whatsoever. We felt that if we had resources within state government, they should be centralized. Or at least everyone should be working together to try to achieve a common goal, therefore not making duplicate decisions or duplicate funding for, say, individual areas. We attempted to coordinate that, particularly with the state agencies, state departments.

Sharp: I think you fall into a category of what was called the loaned executive. You were considered an executive at Crocker when you came to state government. And the idea that a bank or any corporation would share its personnel with state government for an extended period of time is not new in America, but indeed very interesting especially at the state level.

Carter: Well, I wasn't really a loaned executive from the private sector. I was a loaned executive during the [1968] United Crusade Campaign while I was still with Crocker. What I did when I came as a special consultant to the superintendent, I took a leave of absence from Crocker and I remained on leave of absence until I returned in 1975.

Sharp: That term, loaned executive, is fairly loose. There were people who came into the Reagan administration just within the transition, early on--

Carter: I wasn't involved in the executive program with the state.

Sharp: Now, I was wondering—I'm not sure exactly when Mel [Melvin L.] Bradley came into the governor's office. My understanding is that Martin Dinkins must have come after Mr. Bradley.

Carter: No. Marty Dinkins actually worked for Mel Bradley. That's my understanding. Mel Bradley replaced Bob Keyes. Mel Bradley was working for Bob Keyes and upon Bob Keyes's departure, Mel Bradley replaced Bob Keyes as the governor's special assistant for community affairs or whatever you called it. And he stayed in that position until the administration was over.

Sharp: Did he have ongoing contact with you and specifically the Cal Job program or any of the other work of the Office of Small Business Development?

Carter: Well, we were two different areas, of course. My area was mostly economic development. Mel Bradley's area was primarily community affairs. He had a lot of people working for him in different areas of the state. I would participate in workshops and conferences that he would have. He would participate in conferences that I would have.

Sharp: But it doesn't sound like the contact was specifically concerned with the issues of the office.

Carter: Well, if we had concerns, it's just like with any organization. If your organization--if someone outside of your responsibility hears of concerns that affect your shop, well, they're naturally going to relate those to you and vice versa. So I think that's what the relationship was, because at that time this Cal Jobs program reported to the governor and the legislature.

Sharp: Did you have, then, any ongoing contacts with Mr. Reagan himself?

Carter: No. My contact, mostly, was through the senior state member on the Cal Job board, the Superintendent of Banks, the secretary of Business and Transportation, and the secretary of Health and Welfare Agency.

I did have contact with Mr. Reagan's staff on occasion. Ed [Edwin] Meese [III]. Gee, I can't even think of the guy's name--

Sharp: What position was he? Maybe I could help.

Carter: Well, he's--I'll think of it. He's in Washington now. Mike [Michael] Deaver. Jim [James J.] Crumpacker, when he was there.

Sharp: Do you remember any of the issues on which you might have had reason to have contact with Mr. Deaver or Mr. Crumpacker?

Carter: Well, mostly with Mike Deaver, I think, was on veto messages on bills that I would recommend be vetoed. If they decided that that was what they were going to do, well, I would talk to them about the veto message.

Sharp: Was you input on particular bills sought by the administration, or did you simply offer it because you thought it was needed on certain legislation?

Carter: Well, with any administration, any legislation that affects a specific area--it's expected that an analysis be forwarded to the particular agency.

Sharp: What kind of bills were you putting in either to veto or support?

Carter: Well, that's been a long time ago. If I recall, the BIDCO legislation--Business and Industrial Development Companies--It's been a long time ago. I just don't recall. Procurement legislation authored by Willie L. Brown--at that time chairman, Ways and Means Committee. Legislation authorized preference to small business seeking contracts with state of California.

The Office of Minority Business Enterprise; the Reagan Administration's Track Record on Minority Issues

Sharp: Okay. Now, this Office of Minority Business Enterprise--I'm not sure exactly how that related to the Small Business Assistance Pilot Program.

Carter: Well, not the Pilot Program. That program started under the Nixon administration. First it was a think tank which was formed about 1969--latter part of 1969, early part of 1970. And then the program expanded where the Office of Minority Business Enterprise was contracting with consultants to provide management and technical assistance similar to what we had achieved under the Small Business Assistance Program.

Part of that effort then shifted to procurement activities. The Office of Economic Opportunity had a program that was during that period when it shifted to procurement. And then the program was assigned to the Cal Job program for administration. So we attempted to really develop a good procurement program, and we worked very closely with the Department of General Services.

Carter: The early part of 1975 or before, I determined that the program would be best suited in the Department of General Services, since they had a Small Business Preference Program. I helped to develop that legislation, therefore, we did get the Office of Minority Business Enterprise transferred over to General Services because they were the experts in contracting for goods and services for the state of California.

Sharp: I sent you a short note at the bottom of the letter about, really, the only specific information I could find about the office. By 1981, the Office--I think it was still called the Office of Small Business Development--was actually monitoring the state Office of Procurement to encourage bidding by minority businesses for work on state projects as well as in buying. By 1975, the period that you left and went back to Crocker, this office was publishing an annual report which included a list of eligible small business bidders, and it was organized by general procurement and construction categories. Is this the kind of thing that might have been one of your developments--something that you put together?

Carter: Well, this is what we were attempting to do. I just kind of vaguely remember it because we were attempting to work with the Department of General Services to see what contracts they had available, and then try to disseminate information out to the small and minority businesses to keep them informed of that.

Now, I don't know what monitoring took place subsequent to that. I just don't know. When the OMBE program was put into General Services, this function did continue because they did have a staff that was physically assigned to General Services to help make minority businesses aware of contracts that were coming out. I think they may have even provided assistance in contract preparation for minority businesses.

Sharp: I'd seen a note that the Reagan administration chartered three minority-owned banks during his tenure as governor. One in San Diego, one in San Bernardino, and one in Oakland. I wonder if you recall this.

Carter: I don't recall one in San Bernardino. I was familiar with the one in San Diego. I'm familiar with the one in Oakland.

Sharp: My main question is, how was this chartering accomplished--what steps had to be gone through?

Carter: Well, the normal steps as far as any bank application is concerned.

A group gets together and wants to open up a bank. So they get assistance to do it themselves--to prepare their application, which is quite extensive. They must look at the economics; they must look at the service area that they have; they should look at the potential depositors that they have, and management, directors. It's normal process for anyone that wants to seek a bank charter.

And it just so happened that maybe, with encouragement, applications were filed--prepared and filed--and were successful.

Sharp: Is this something that you would have worked on as part of your work in the Office of Minority--

Carter: No, I would not have worked on that. What I did do, though--James Hall invited me to the pre-filing meeting of the Pacific Coast Bank in San Diego. In addition, I sat in on several conversations with the First Enterprise Bank in Oakland. James Hall at that time was secretary of the Human Relations agency.

Sharp: Mr. Beachem was a member of something called the Governor's Minority Appointees Workshop. I wondered if you participated in it also.

Carter: We'd have one about each year. Yes, I did participate.

Sharp: I'm not quite sure how to ask you this, but Mr. Beachem said that in the discussions that the appointees had in these workshops he was struck by how interrelated all the state government issues seemed to be for minorities. With the issues important to people who were in law enforcement, and to people who were in housing, on the Real Estate Commission, the discussions got very tied together--people were facing the same things in terms of minorities.

I'm wondering if you were struck by that too, or have different perceptions of what the workshops were about and the kind of things they might have discussed.

Carter: Well, I think the workshops were very--they were informational. If I recall, there were a lot of common type problems that surfaced as far as minorities were concerned.

Which I feel may be boiled down to opportunities that may be available or that could be made available: assistance that could be provided whether it be financial assistance or other public assistance, or just the creation of opportunities that minorities could get into whether they be business opportunities or employment opportunities.

Sharp: Governor Reagan's administration in California does not have the label of being strong on assistance to minorities. And that's just the history, what differing analysts have said and seen about the Reagan administration.

I'm wondering if you would like to respond to that. You've been telling me now for an hour that it was your job, really, to begin to assist minorities in their businesses. And you were a part of the Reagan administration. So I'm not sure where the truth is: in what you've been telling me, or in what historians and other analysts have said, that the Reagan administration did not particularly have minorities in view, or was strongly trying to assist minority business development or any other kind of minority efforts within the state.

Carter: Well, I feel that Mr. Reagan had a commitment in that regard. I feel that he did not broadcast it in any way. I presume he thought there was no need to broadcast, or say, "Look, this is what I did. This is what I've accomplished." I don't know how many minority appointees he had, but he had quite a number of them, in some significant appointments. So I feel that he did have a commitment to the minority community.

Sharp: Mr. Beachem also worked on Mr. Reagan's '66 campaign--his first campaign for governor--and worked on it in Los Angeles. He said that he had to do a lot of convincing, in the early period and later on in the campaign for re-election, that Mr. Reagan did have a commitment to minorities.

Did you ever do any campaigning for him or at any other time face the need to convince people that this was the case, that Mr. Reagan had this kind of commitment?

Carter: I think that was constant as far as public appearances were concerned. I never--well, I campaigned for his second term [1970] and I was involved in Sacramento in a little thing that we had as far as the black Republicans were concerned.

But there was, I think, a lack of understanding amongst a lot of folks as far as, maybe, a black Republican was concerned. At least there was during that period. There was a lot of explaining as to why a black would be a Republican in those days.

And in addition to supporting Mr. Reagan, my philosophy was that black folks had to be in each party, committed to each party, work for each party. Otherwise, when a Republican administration goes out, well, what do we have then if we're not actively involved in each party? So this was my philosophy. And I just happened to be a Republican.

Sharp: Sounds like a pretty good argument.

When you came into the Office of Small Business Development and Minority Enterprise, I'm wondering if you personally felt that there were certain things that you wanted to accomplish as part of your position as the director of it. Some of the minority appointees have felt that they had specific goals because they were minorities and because they were appointed by the governor.

Carter: I felt that was my specific goal, not necessarily as a minority-- because the program was directed towards small and minority programs, economic programs--was to create a mechanism whereby citizens of the state of California could have available to them assistance to help them to enter into business; help them to expand their business; help them to receive management, technical assistance in their business; help them to receive educational type courses as far as their business was concerned.

And what I attempted to do, and I was not successful--was to work with the state college and university system, Jet Propulsion Laboratories, National Science Foundation, I don't remember the other organizations. But what we attempted to do was have Cal Job regional type centers in specific locations throughout the state, primarily connected with or on the campuses of the universities.

The consultants that we were contracting with, they could be housed here. The technology transfer arm of it could be housed within this center. The university management technical assistance staff, the research staff could be housed here. The Small Business Administration representative could have access to that. And any small or minority businessman coming into such an organization, it would be one stop where he could get any type assistance that he or she might need.

With these centers located in very strategic areas throughout the state, resources would have been pooled, knowledge would have pooled, and it might have been a better opportunity for a business to get off the ground, to expand, to succeed. This was my major objective.

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Well, I was not successful. This is the primary reason I stayed a few months into the [Edmund G.] Brown [Jr.] administration. We had all the resources lined up to participate in this and the-- there was some type of dissension or animosity towards the concept within the Cal Job board at that time. So the board did not approve it. And so, consequently, it never got off the ground.

Carter: I guess there were turf problems with people, of course, and that's a natural thing.

Sharp: In your work, did you have ongoing contact with the NAACP [National Association for the Advancement of Colored People] or the Urban League?

Carter: Not ongoing. I did have contact with the NAACP as well as the Urban League. They started into economic development type activities. So there was a lot of contact with the Urban League at that time, because our primary interest was promoting economic development. Therefore our efforts were concentrated towards those type resources.

Sharp: This is another question that I'm not really sure how to ask. But it's about the idea that one of the objectives would be for minority businesses to grow and then be able to employ more people as any growing business would, and that these people might also be minorities. There is an edge to that kind of business development--that minority businesses would grow and employ minorities as opposed to minorities being encouraged to go into other kinds of businesses that maybe weren't minority-run. In other words, I'm asking about the idea that there were some kinds of separations between whites and minorities in business. If you look at this situation in one way, you might see that minority businesses were encouraged to grow and to employ other minorities, and that white business would grow and employ white, as opposed to a really integrated situation.

Carter: Well, I don't agree. I feel that an employer is going to hire people that will be able to work in that business and be productive no matter what color they may be. It just so happens that if you're located in south central Los Angeles, well, you're attempting to hire people that are not employed and so you're hiring basically minorities. That's your work pool.

If you're on the fringes, well, then you're going to try to hire the unemployed and train them, or try to hire experienced persons, no matter what color they may be.

But the major objective, I feel, in the overall program, was to create jobs. I think we can look at our areas now--Oakland, San Francisco, or wherever it may be in California--and see your ethnic mixes in your different businesses. And certainly you've got a larger percentage of non-blacks working; and you have a lot of, say, blacks working in the areas that are primarily populated by blacks. The same with the Mexican American or any other ethnic group that you have.

Carter: So I don't believe that it would cause any type of separation. It's merely creating employment and providing opportunities, hopefully, for upward mobility for folks.

Sharp: I've seen some notes of discussion of minority appointments, especially blacks, in state government in the late sixties and early seventies when you were there, as a real shift. Before then, there were not that many minorities, and after that period, there were many more blacks coming into state government. Now it doesn't seem that noteworthy when a black is appointed to some position in the state government--it's a natural thing. Somewhat less natural when you were appointed. I'm wondering if you did feel that you were special because you were appointed at this period and you were black?

Carter: I never thought of it.

I, of course, was very pleased at the appointment as anyone would be. I did not feel I was very special. I felt I was qualified to receive an appointment to do the job. And certainly, I was proud to be appointed by the governor. Like I say, as anyone would be. I didn't feel that I was special. I don't see that I should be special above any one else just because I have a certain position.

On the Hustings in Sacramento as a Black Republican; Opportunities for Minorities in California

Sharp: The last question, on somewhat of a different topic, about your work in the party in Sacramento. The brief biography notes that you were the chair of Sacramento County's "Commitment '68" for the 1968 Nixon-Agnew campaign and that in 1972 you were on the steering committee for the Republican campaign when Mr. Nixon was re-elected, and specifically working amongst the black community in Sacramento.

Maybe you could just--and then we can close--tell me about those two experiences and the kinds of work that you did with the party.

Carter: Well, "Commitment '68" was merely a segment of the campaign within Sacramento County. That was not a large segment of the campaign. It was basically getting votes for Mr. Nixon.

Carter: It was more or less a pyramid type thing where I would contact certain people. We had developed a major list of persons which I contacted. I would give them ten, I believe, specially designed cards which they would give to ten other folks, which they would give to ten other folks, which they would give to ten other folks, which was just a pyramid type thing. I understand it was satisfactory.

The other campaign [in 1972], I was on the steering committee and I did not conduct the same type activity. I was more or less involved in just helping out with functions, trying to help out with registrations, trying to contact folks to convince them to vote and vote Republican.

Sharp: Was the black community in Sacramento really responsive to your efforts and the efforts of others to encourage them to vote Republican?

Carter: I think a certain percentage were, yes. I believe they were.

Sharp: Was it primarily professional-level people?

Carter: Well, professional, some non-professional. A lot of business-- persons, because we had several appointments of blacks within the Sacramento area by Mr. Reagan.

Sharp: Was that a good argument to support Mr. Reagan and to support--

Carter: I think the basic argument is the economic development type activities that Mr. Nixon and Reagan did support.

Sharp: We glanced over your work for Mr. Reagan's re-election in 1970 and that was right in Sacramento, also. We didn't really talk too much about it, but I thought we could get a few notes just how you might have worked on the re-election, if you remember.

Carter: Well, it wasn't that extensive at all in Sacramento and I don't really recall that much. It was not outside of Sacramento. I did not participate in any political type activities outside of Sacramento except, perhaps going to a convention or something in that regard. But with Sacramento, I attempted to get contributions.

Sharp: I think that really is about all my questions, unless you have some other notes about your work that you might like to include that I haven't thought of.

Carter: Like I say, I'm just winging it today from memory, cause I really didn't have anything--the only thing I had, I think, perhaps--and I hope we have another copy of it.

Carter: This might be helpful. I know you wanted the name of all the banks that participated in the program, but right now I do not have them. I've only got seven. I can have my secretary or my assistant call the Office of Small Business Development and get perhaps the last few annual reports, say, from '72 through '74, I guess. Hopefully we could provide you with copies of that.

Sharp: If you just get copies for a couple of the years, one or two of the years would really be valuable to me.

Carter: Maybe the last two years, perhaps, okay.

Sharp: That would give us a much more detailed sense of the work of the office and how it proceeded: those annual reports, however dry they may seem in the beginning, when they are put together, are tremendously valuable in terms of historical documentation.

[break in recording]

Sharp: The period that you were in state government, the late sixties through '75, was preceded by perhaps a much more difficult period in California for blacks, especially because of the Watts disturbance [1965] and because of the Rumford Fair Housing Act [1964] and what happened to it; Proposition 14 nullified it.

It was three years later before the California Supreme Court and the U.S. Supreme Court put the Rumford Fair Housing Act back into action by nullifying California's Proposition 14. So there was some animosity for sure against minorities, especially blacks, as evidenced by the passage of Prop. 14, and local reaction and state-wide reaction to Watts.

I obviously have no way of knowing the effect of those two occurrences on opportunities for blacks in the state. And you, it seems to me, were in a unique position because you might have had your finger on the pulse of that a little bit, because where you were, you were right in the middle of trying to do something--to encourage and assist minority enterprise, minority business in the state.

So I'm wondering just what your overall assessment of the issue of opportunities for blacks in California is for the period that you were in state government.

Carter: Well, obviously, I feel that state government as well as federal government was attempting to assist minorities--blacks--to improve themselves economically by providing economic development assistance. Therefore, the recognition of unemployment was there, I think--very prevalent.

Carter: The absence of opportunities for minorities to seek and obtain money for business expansion or business establishment apparently was not there. That was being made available through the different programs that the Reagan and Nixon administrations had embarked upon.

Certainly there were animosities, and I'll say again, because of the high unemployment in minority areas and absence of business opportunities. So perhaps the state and federal governments were seeking to assist in this area and correct the situation to make it better.

Sharp: The McCone commission's job was to analyze the Watts disturbances in Los Angeles and make some assessment of why they happened.* I'm wondering if the McCone commission made any difference in your work once you got into state government--if people talked about what the report said.

Carter: It didn't make any difference in my work. I'm sure there were quite a few conversations regarding the McCone commission, and also conversations in quite a few other areas. But as far as any involvement in my work--I guess my work was a little bit unique. Maybe not unique, but different in that it was for providing financial assistance to businesses. The end result was to create employment opportunities. So my activity was just mostly economic development.

Sharp: In the commission, that's exactly what is addressed. Not only racism, pure and simple, but also, economic opportunity for blacks and the reason Watts was the way it was because of lack of opportunity for blacks--that's really why I brought it up, because here you are doing exactly what the McCone commission said was needed.

Carter: Well, I was carrying out a mandate of the governor and the legislature.

Sharp: Do you remember who it was in the legislature who put together the actual legislation?

Carter: I don't know. Well, I guess we'll have to provide that to you somehow. Because it was a bipartisan effort, a joint effort by the legislature and the administration to do this. It was a long time ago.

*Governor's Commission on the Los Angeles Riots, John McCone, chair, report published December 1965 by State of California.

TAPE GUIDE -- Louis Carter

Date of Interview: 17 July 1984

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Government History Documentation Project
Ronald Reagan Gubernatorial Era

James V. Lowry

STATE MENTAL HEALTH SERVICES, 1967-1971

An Interview Conducted by
Gabrielle Morris
in 1984

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INTERVIEW HISTORY -- James V. Lowry

This interview with James V. Lowry discusses the interaction of his professional concerns for California's system of services for the mentally ill with the efficiency and economy concepts of Ronald Reagan's gubernatorial administration. Dr. Lowry had just begun a four-year appointment as director of the state Department of Mental Hygiene when Reagan became governor. Although there was consideration of replacing him, support for Lowry was strong enough (rumored to include a good word from Nancy Reagan's physician father) that he completed his term and, in the process, won the respect of the new administration.

When, shortly after he took office, Reagan called on all departments to submit revised budgets cutting expenditures by ten percent, he also indicated the intention of closing several state hospitals. What concerned the governor's office was that "the number of patients in the state mental hospitals on any one day was decreasing and yet the appropriation wasn't." Lowry responded to the call by submitting three budgets: expenditures as usual, the ten percent cut and reductions in program that would ensue, and a third presenting services that could be rendered if there was a budget increase. "At every opportunity," he said, "we pursued our case for more rather than less."

The problem as Lowry saw it was "that most of the [governor's] staff hadn't had enough experience to think through what happens ... what the consequences are" on such cuts. There was, however, great improvement in the first two years of the Reagan administration as

An understanding of trying to get delivery of mental health services close to the place where people lived was developed ... That clicked with the idea that was basic to their thinking from the political stance--that government should be moved back to local control. As soon as the idea of local control was understood, the appropriations for support of local mental health services began to increase dramatically.

As the interview continues, Dr. Lowry comments on a number of critical issues facing mental health services in the 1960s. Among them were the impact of federal funding, hospital staffing standards, patients rights, substance abuse, and the response to citizen and legislative pressure for expanded services to the mentally retarded. His recollections are enlightening and thoughtful, with the detached objectivity of a man enjoying retirement. Researchers will also wish to read Lowry's interview on his first years as director of the Department of Mental Hygiene in Perspectives on Department Administration, California 1953-1966 from the Regional Oral History Office.

The interview was recorded in August 1984 at Lowry's summer quarters near Clio, a tiny village in the northern Sierras. When the interviewer expressed

pleasure at visiting a community named for the muse of history, the doctor commented that he had been told the town was named for a certain make of cast-iron stove, one of which had blown up on a cold winter's day many years before.

The edited transcript of the interview was sent to him for review some months later. Although he made a rueful comment about lapses of memory, he provided ample clarifications and additional details as requested by the editor.

Gabrielle Morris,
Interviewer-Editor

June 1986

James Victor Lowry, M.D.
6304 Monteverde Lane
Citrus Heights, CA 95621

Born in Milwaukee, Wisconsin, November 15, 1913
Graduated, Washington Park High School, Racine, Wisconsin, 1930
B.S. degree, University of Wisconsin, 1935
M.D. degree, University of Wisconsin, 1937
Internship at the U.S. Marine Hospital, New Orleans, LA
Psychiatric residency training at the U.S. Public Health Service Hospital, Fort Worth, Texas and the Colorado Psychopathic Hospital, University of Colorado, Denver, CO
Psychoanalytic training at the Washington Psychoanalytic Institute, Washington, D.C.

Certifications:

American Board of Psychiatry and Neurology, 1946
American Psychiatric Association, Mental Hospital Administration

Experience:

Research, National Institutes of Health, U.S. Public Health Service, Bethesda, Maryland, 1940-1943
Chief, Psychiatric Service, U.S. Public Health Service Hospital, Fort Worth, Texas, 1943-1944
Clinical Director, U.S. Public Health Service Hospital, Lexington, Kentucky, 1944-1947
Chief, Community Services Branch, National Institute of Mental Health, Bethesda, Maryland, 1947-1954
Medical Director, U.S. Public Health Service Hospital, Lexington, Kentucky, 1954-1957
Assistant Surgeon General and Deputy Chief, Bureau of Medical Services, U.S. Public Health Service, Washington, D.C. 1957-1958
Assistant Surgeon General and Chief, Bureau of Medical Services, 1958-1964
Director, California Department of Mental Hygiene, Sacramento, CA 1964-1971
Consultant, mental health services, 1972-1978
Leisured, at large, 1978 ----

I · EARLY INTERACTION WITH GOVERNOR REAGAN

[Interview 1: August 30, 1984]##

Transition Briefings and Budget Cuts

Lowry: This business about a shortage of five million dollars in the Medi-Cal program—who wrote this?

Morris: This was a memo from Bill Clark to Ronald Reagan.*

Lowry: I wondered whether it was to or from Clark. I see his name on it.

Morris: Yes. It's part of a several page memo on a set of agency briefings that were held after Reagan was elected but before he took office.

Lowry: [reading] "...how I intended to reimburse the counties in January, February, and March." He (Lowry) said, "I'd take a ninety day vacation." [laughs]

Morris: Right. That's a good place to start. When did you in the Department of Mental Hygiene become aware that there were going to be deficits? Was this the first time?

Lowry: As far as I can remember, it was the first and only time. The reimbursements to the counties were done entirely with state money for a long time. Then the Medicaid program went into

##This symbol indicates the start of a new tape or new tape segment. For Tape Guide, see page 43.

*See Appendix I.

Lowry: effect. It was arranged then so the services rendered by the counties to eligible persons could be reimbursed from the Medi-Cal program. For some reason or another, this didn't satisfy the requirements that the federal government had at that time. It was just a matter of working out the details and getting the procedures straightened out at a time when this was a new method.

California probably was the first state to have that kind of an arrangement. California was one of the first states that had any significant developments of county and local mental health programs. I don't think any of the other states had this arrangement for reimbursing with Medicaid funds at that time. It was a matter for the bookkeepers and the administrative types to work out. As I remember, Paul Ward, head of the Health and Welfare Agency under Governor Edmund G. Brown, Sr., went to Washington and did whatever needed to be done to reassure them that it wasn't a scheme for the state to pick up some money. I don't think there ever was another significant problem about the reimbursement system.

It was a way of enhancing the total of funds available to local programs. The five million dollars mentioned here would have been paid out of state funds without that kind of an arrangement.

Morris: So the Medi-Cal program didn't mean additional people in the mental health program?

Lowry: No, this was money to reimburse the county programs for services they rendered to Medi-Cal eligible persons rather than collecting from the state general fund appropriation. It was added to the state funds. While the state department had to get the federal money to reimburse them, it was really a matter of enhancing the local county programs.

Morris: Do you remember this session with Bill Clark when Reagan was coming into office?

Lowry: No.

Morris: What kinds of concerns had they about mental programs?

Lowry: I don't remember any. I would guess that they probably didn't know enough about the mental health program to ask very many questions. One thing that seemed to impress them was that the number of patients in the state mental hospitals on any one day was decreasing and yet the appropriation wasn't.. They had no real understanding about where the costs are in the state hospitals or why the number of patients was decreasing. It

Lowry: wasn't because fewer were being admitted; it was because patients were staying for shorter lengths of time. There was a more rapid turnover; so the length of stay dropped precipitously. A second factor was that the social service program was placing more individuals out of the hospitals who didn't require hospital care. They placed them in nursing facilities, foster care, etc.

The new administration didn't have anybody—I say this with a reasonable degree of confidence—who had any understanding of medical care costs and how the first few days in the hospital, when a lot of examinations are done, are very expensive as compared with subsequent hospital days. The view was held that if there are only half as many patients in the hospital on any one day, then you should be able to get along with half as much money as you did when you had twice as many patients.

Morris: That relates to my interest in how you and your department dealt with Reagan's interest in cutting that '67-'68 budget by 10 percent.

Lowry: Every department was asked to submit a budget proposal that would reduce the Brown budget by 10 percent. That was done. The Department of Mental Hygiene gratuitously included a second part, which said: this is what services we can render with the budget at the 10 percent lower level, and then a third part that said: these are the services that could be rendered if there was a budget increase. They asked one question and received three answers. We said that if the funds were decreased by 10 percent that meant we had to reduce the staff; that meant a reduction in the quality of services or a reduction in the number of patients admitted.

It also meant that all the county mental health programs would have to be curtailed and the consequences of that in terms of patient care. So these three variations were provided. At every opportunity we pressed our case for more rather than less, particularly if services were to be provided at the local level where people could get them without going away from their local community. There had to be an increase. Otherwise, the program would be treading water or going backwards.

Morris: Did you do these negotiations with somebody in the Department of Finance or with Spencer Williams, Mr. Reagan's first director of Health and Welfare?

Lowry: It was both. Whenever I would meet with the Department of Finance in a formal session, Spence Williams or some other person he would designate would be there. The earlier day-to-day

Lowry: negotiations were usually between staff members of the Department of Finance and staff members of DMH. Later there would be a conference with somebody from the H & W Agency, DMH staff, somebody from the governor's office, and someone from the Department of Finance to discuss differences.

Later any unresolved differences would be discussed at a cabinet meeting. Someone from the agency and I would go to the governor's "little cabinet," and argue the case. The governor then had to make the final decision.

Morris: Was Reagan there?

Lowry: Yes.

Morris: Who in the governor's office was the person—?

Lowry: Usually it was the governor, Clark, and several other people.

Morris: Well, they had an executive secretary and then they had a cabinet secretary. Bill Clark was cabinet secretary first, and then executive secretary.

Lowry: I think Clark was always there, and I think that [Philip] Battaglia was there.

Morris: How did Battaglia respond to your concerns about the different levels of impact?

Lowry: As far as I could see, he didn't get involved until later. When the revised budget was submitted it said 10 percent reduction for all departments. One time when I was at a legislative hearing, Battaglia testified that the Department of Mental Hygiene had proposed this 10 percent reduction—that it was a DMH initiative. He had the gall to do this in front of Frank Lanterman, who knew that it wasn't so. Frank was interested in the department and its programs.

Morris: Very much so.

Lowry: I just had to contradict him and tell him that we submitted the three budgets. Interesting times.

Morris: Did you have enough contact with Mr. Battaglia to have any inkling that there was going to be trouble and that he was going to leave suddenly?

Lowry: A promise to reduce the budget had been made during the election campaign and they wanted to show that they really lived up to their commitments. At the time they made this promise, it's such an easy thing to say. However, they had no understanding of the financing of the state government or what the impact would be. It took time to learn this new business.

Morris: Was being new to the business, do you think, the major reason that they'd decided that he was not the person to continue as executive director?

Lowry: Battaglia?

Morris: Right. He lasted about six months.

Lowry: Oh, I think there were many reasons why he left. I suppose the final straw was this matter of the homosexual gatherings. I don't think Reagan was very enthusiastic about that and decided maybe they should have somebody else.

Morris: Was that the primary reason for his leaving?

Lowry: I don't know, but it was soon after when he decided, or somebody decided, that he should leave.

Morris: I don't know if you'd recall this far back, but since Bill Clark was doing the original negotiations for Mr. Reagan before he took office, it's interesting that he wasn't appointed executive secretary at the very beginning.

Lowry: I have no understanding of why anybody was appointed except they worked hard in the campaign. They had slots to fill, and I guess they had to put people in them.

Morris: Last night you were trying to recall an older person who was around after Battaglia left.

Lowry: I haven't succeeded in thinking of his name.

Morris: I pulled out a staff list and wondered if it might have been Earl Coke.

Lowry: Yes! That's his name. Thank you. I wonder if he's still living.

Morris: He's retired and living in Southern California; but you're right, he had been in and out of government. He was Reagan's first appointee as head of the Agriculture and Services Agency. Then Mr. Reagan brought him into the governor's office, too, to coordinate some of this cabinet activity.

Lowry: There was a definite change in the way things were done after he was there. He was a good influence. Gave me the feeling that there was somebody there that had some management know-how.

Morris: I see. He understood the problems of dealing with a department and the budget realities.

Lowry: And the consequences of actions. That was the important thing. The problem was that most of the new staff hadn't had enough experience to think through what happens. It's all right to be able to make decisions, but you bloody well should know what the consequences are. I don't think these people recognized any need for that. It was rather on the basis of what's good politically. That was the basis for the decisions, and then somebody else had to scramble and try and live with the consequences of it.

Administration Views on Local Mental Health Services,
State Hospital Closures

Lowry: As time went on, they became aware, and Reagan must have become aware, that things weren't getting done and there needed to be changes. There was a great improvement in the first two years. An understanding of trying to get delivery of mental health services close to the place where people live was developed. This was moving the responsibility from the state back to the county level. That clicked with the idea that was basic in their thinking from the political stance--that government should be moved back to local control. As soon as the idea of local control was understood, the appropriations for support of local mental health services began to increase dramatically. This fitted in with the general political philosophy.

It also happened to fit in with my ideas of a good mental health-care system. Have the services where the people are. Look at the figures on the appropriation for local mental health programs. They just skyrocketed after the first year of the Reagan administration.

Morris: Did some of that relate to things like the Lanterman-Petris-Short Act? [passed in 1967]

Lowry: The L-P-S Act was there all the time. It was modified from time to time, but the basics remained the same. I think I had a chart once upon a time.

Morris: Yes, there's a nice chart that you've got on what happened to state hospital statistics. [see next page]

Lowry: When was it, 1967, that Reagan became governor?

Morris: Right. He took office in '67.

Lowry: This chart is headed, "Long-term Trends in State Hospitalization." Here's when the state was reimbursing counties on a 50-50 sharing. That was back prior to my coming. Then the sharing went up to 75 percent. In 1969 it was increased to 90 percent. But the basic legislation was there all the time. There was a shift, more and more money appropriated by the state. The percentage contributed by the state was increased and there were more local services.

Here on this chart [following page] in 1963-1964 the amount of state appropriation was five and a half million dollars. In 1966-1967, the year before Reagan came in, it was at eighteen million. By 1971-72 the amount had increased from eighteen million to a hundred and four million. That's not a 10 percent cut.

Morris: That's a sort of a geometric increase.

Lowry: Yes, it's a complete reversal of the first year. It came about after the concept of local services was understood. That was the easier thing. What was difficult was to get them to have any understanding of hospital care costs. It was a simplistic approach--if there are half as many patients in a hospital only half as much money is needed.

This was not peculiar to the Reagan administration. The Legislative Analyst's Office and the Department of Finance were convinced that it was cheaper to have fewer hospitals but larger hospitals because all they could see was a decrease in costs. They couldn't see that if there are two or three thousand patients in the hospital, they get very little individual care. The result was that patients stayed longer and the cost per illness of the patient is astronomical. Some of the patients were in for years.

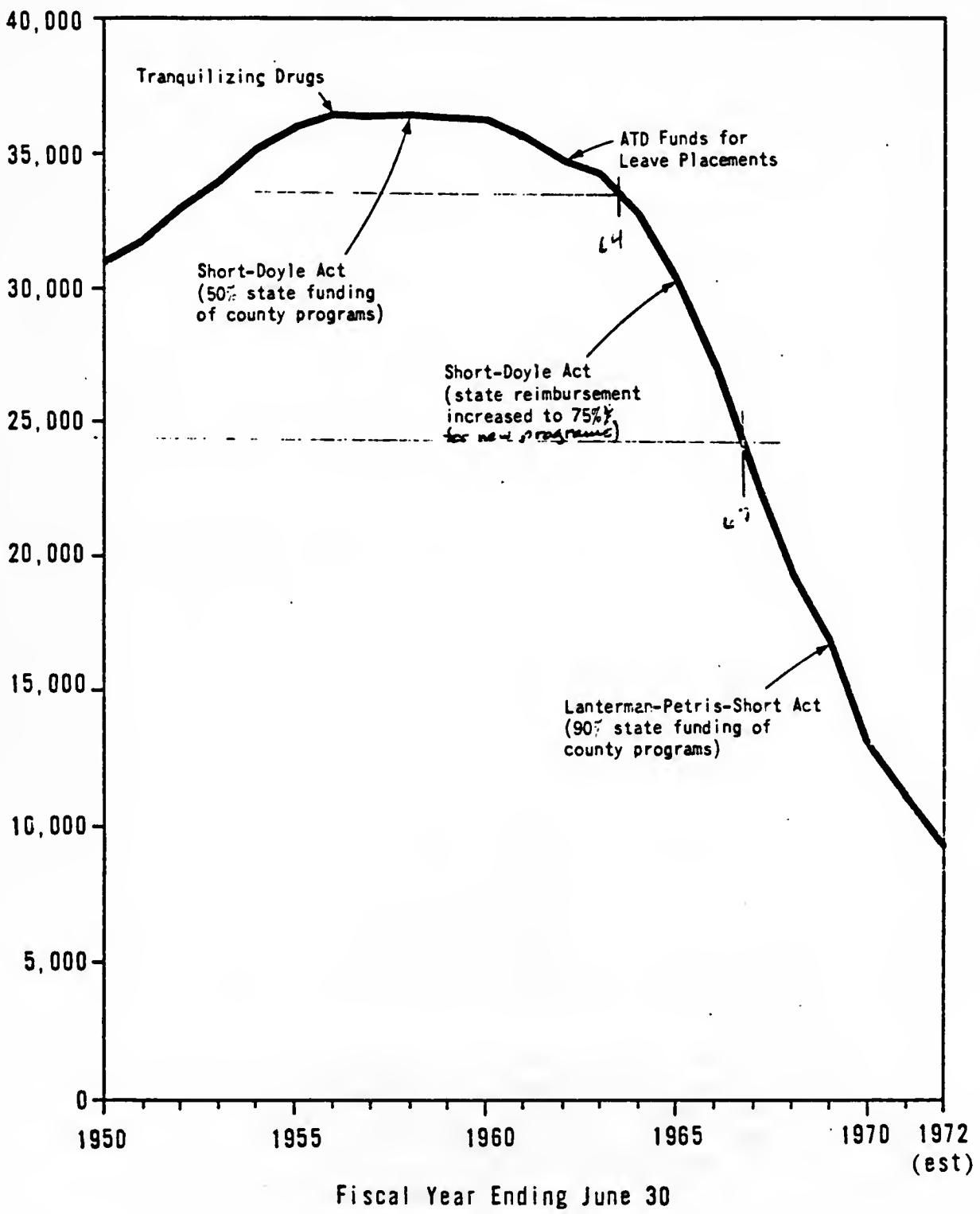
All they could see was the cost per patient-day. If you take a hospital budget and divide it by a large number of patients, the cost per patient-day is small. But if you take that same budget and divide it by fewer patients, the cost per patient-day becomes larger. They forgot you also have to multiply by the number of days of a hospital stay to determine the cost per illness. If that is done then the number of days, let's say thirty days instead of three hundred, then you've got some real understanding of the cost per patient illness.

LONG-TERM TRENDS IN STATE HOSPITAL UTILIZATION

Average Daily Population of Mentally Disordered

Population

1950-1972



Fiscal Year Ending June 30

8a
STATE OF CALIFORNIA
DEPARTMENT OF MENTAL HYGIENE

	<u>Y.B.L. +</u>	<u>Y.B.R. #</u>	<u>L.Y.L * </u>
	1963-64	1966-67	1970-71
<u>COMMUNITY MENTAL HEALTH PROGRAMS</u>			
Number of programs	21	41	58
Inpatient admissions	22,562	41,601	45,019
Outpatient visits	32,869	81,294	169,865
<u>STATE HOSPITAL PROGRAMS FOR THE MENTALLY ILL</u>			
Admissions	26,764	28,834	42,107
First admissions per 100,000 population	94	84	96
Inpatients on June 30	32,622	21,966	10,874
Inpatients by age groups			
20 and under	1,302	1,336	1,307
21 through 64	21,762	15,632	8,126
65 and over	9,558	4,998	1,441
Number of patient days	11,922,725	8,437,705	4,080,423
Treatment staff positions authorized	10,608	10,651	6,407
<u>STATE HOSPITAL PROGRAMS FOR THE MENTALLY RETARDED</u>			
Admissions	909	1,318	731
Waiting list	2,044	1,501	63
Inpatients on June 30	12,786	13,290	10,494
Patient days	4,520,525	4,734,050	3,978,079
Patients on leave of absence	2,532	3,858	7,044
Treatment staff positions authorized	4,741	5,080	6,570
<u>BUDGETS</u>			
	<u>1963-1964</u>	<u>1966-1967</u>	<u>1971-1972</u>
Administration	\$ 13,514,050	5,791,682	6,603,700
Training	(incl. in Admn.)	(incl. in Admn.)	4,162,400
Neuropsychiatric Institutes	6,848,283	8,761,165	13,530,757
Research in hospitals	987,000	1,305,489	785,953
Programs for mentally retarded in state hospitals	39,640,602	50,871,874	83,983,873
Programs for mentally ill in state hospitals	104,668,887	128,237,246	107,157,718
Community mental health programs	5,450,000	18,600,733	104,140,684
TOTAL APPROPRIATION	\$171,108,822	\$213,568,189	\$320,364,925
REVENUE, State hospitals	\$ 20,587,205	\$ 39,213,041 est/	\$ 77,870,794
+ Year before Lowry		# Year before Reagan	
		* Last year Lowry	

Lowry: I tried for years to get that across to Alan Post's staff and failed. There was an urgency to close hospitals when the total number of patients decreased, in order to save overhead.

Morris: Governor Reagan was making that same kind of request, too, wasn't he?

Lowry: It just carried over. It just carried over, because some of the staff people in the Department of Finance were still there. I've forgotten the name of the fellow who was there for so long.

Morris: Ed Beach? Was he one of the ones?

Lowry: Ed had some understanding of it. But there was this basic feeling that if you had large hospitals it reduced overload. They also disregarded the fact that if there were only a few hospitals to serve this large state, then patients are even further from their homes and their community. The community then tends to reject them; the family tends to reject them. The longer they stay the less they are real back home. The further away they are the more visits from relatives and friends are decreased.

It's very difficult to deal with the hospital financing problem. I never was successful.

Morris: In looking at various press clippings, the record I find is that Modesto Hospital was the first one closed. That was 1970. Would you say that you were successful in postponing closures of state hospitals?

Lowry: Oh, we were arguing about closure from the day I got here. It wasn't because I became director that this decrease in hospital populations occurred. I came to California in '64, and the trend to lower daily population had already started. It began to decrease at a greater rate, for several reasons. One was that there were some local program services that decreased the need for care at the state hospital. There was shorter length of patient stay in the state hospitals because patients were getting better care. Thirdly, there was the big factor--that federal funds became available that would not pay for the cost of patients when they were in the state hospitals but would pay for their costs if they were in family care or in nursing homes.

The state had never funded that kind of alternative care. As soon as federal funds became available, then there was an opportunity to reduce the demand on state hospital funds by getting these patients out of hospital and into federal-funded care.

Lowry: These factors were operative at the same time. In addition, medication became available that shortened the length of hospital stay of patients.

II ORGANIZATIONAL CONCERNS

Hospital Staffing Standards; Medical Advisory Committee

Morris: At the same time this discussion about hospitals being closed and shifting patients to the community was going on, there was also a very expensive study of state hospital staffing that produced a report in 1967.* I wondered if that was a report that your people in the department had participated in, had sought? How did that fit into the discussion?

Lowry: When I came here in 1964, there were staffing standards that somebody had established at some time in the past. The Department of Finance was using those to determine hospital funding. They were a numerical sort of thing: for every hundred patients you have in the hospital you have so many physicians, so many nurses, and so on. I wasn't able to locate any rational basis for those standards.

I established a Medical Advisory Committee, as it was called. I got representatives on that committee from the California Medical Association, the northern central and southern California psychiatric associations; and a couple of representatives whose primary medical field was mental retardation.

The committee decided that there should be some new staffing standards based on measurable units of service required by patients.

*Staffing Standards for Public Mental Hospitals, Report to the Senate by the California Commission on Staffing Standards, 2 vols, issued by California Department of Mental Hygiene, February 1967.

Morris: Reflecting current therapeutic theory?

Lowry: That's right. Let me go back. When I was in the [U.S.] Public Health Service, I was chief of the Bureau of Medical Services. We had several groups that did staffing studies. One was in the dental field, another in the nursing field, and the other in the medical-care field.

Morris: Were these standing committees or did they fall into consultant--?

Lowry: The Bureau of Medical Service of the Public Health Service had a number of divisions that conducted these studies. The nursing division, for instance, developed the methods for determining the number of nurses required by doing studies of the type and amount of nursing services a patient requires each day the patient is in the hospital.

There was one fellow who had been my administrative officer when I was director of a hospital. Later he was in the Division of Hospitals of the Bureau of Medical Services at the time computerization was developing. He used computers as a tool to do these studies effectively. I recruited him to come to California.

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I brought a proposal to establish new staffing standards to the Medical Advisory Committee and they endorsed it. So I set up an Office of Program Review. There was a hospital administrator, a nurse, a physician, and a social worker. They then went to the hospitals and did time studies and determined type and amounts of physician care during the first three days, for a week, for a month, etc. The same thing was done with nursing and all the other services.

They developed a set of standards that was presented to the Medical Advisory Committee.

Morris: My recollection is that the conclusions of those careful studies indicated a need for considerably more and more specialized staff.

Lowry: That's right.

Morris: How did the governor's office respond to this kind of--?

Lowry: There was an agreement by the Brown administration that there would be an increase in hospital staff each year leading to 100 percent of staffing required over a period of five years.

Morris: But the study didn't arrive with its conclusions until '67, by when a different governor was there.

Lowry: That's right. But the groundwork had been done. When the Medical Advisory Committee approved the staffing standards proposal, then the representatives of these professional organizations got their organizations to support the proposal. I also worked closely with George Argus, the director of the California Association for Mental Health, so that association had an understanding of these studies, and they were supportive. The new standards were accepted by the Reagan administration and by the legislature through the budget mechanism. The staff increases were to be phased in over several years and resulted in a considerable increase in staff. Then later when Reagan was governor the standards were refined because new methods were even more specific in relation to patient care requirements..

Morris: Did you make the appointments to this medical advisory committee, or did it go around through the governor? It was all your own special--?

Lowry: I decided this committee was needed. I asked the CMA and the psychiatric societies to send me the names of two or three people to serve on the committee. I wanted people that they nominated so when we wanted their support they couldn't deny their own representatives.

Morris: Ah, good thinking.

Lowry: I hired them as medical consultants and paid them a daily consultant fee for the times they came to the committee meetings.

Evolution of Agency Management; Dealings with the Department of Finance

Morris: Before we get into some of the specifics of broad policy legislation, could you tell me how Spencer Williams differed from Paul Ward and how the function of agency shifted from Pat Brown's administration into Reagan's ideas?

Lowry: In many ways they were alike, in the way they thought about things and the way they did things. There wasn't really a great deal of difference. At that time the agency secretary's office had very few staff. They did not try to operate the departments. Later, after I was done, many of the secretaries did.

Lowry: Ward and Williams aided the Department of Mental Hygiene in their dealings with other departments in the agency or with the Department of Finance or with the governor's office. It was a helping, very valuable role. Paul Ward and Williams had a good knowledge of the political process at the state level and of the inner workings of the legislature and who were the important people. They were very helpful. If there was a bill that you wanted supported, they would help in identifying individuals who were important and would work with them. I had one legislative representative and they would support him in his work.

They were very much alike. During the time I was there, no agency secretary tried to use the departments to place people who they wanted to have jobs. Everything was done through the merit system, the civil service.

Morris: What about the exempt positions?

Lowry: I think there was a requirement that appointees had to be approved at the secretary's level. I just assumed that if they were exempt and they were to work for me that I should select them. The agency secretary always approved.

Only once did I ask for help. I had a legislative-liaison appointment to make, and I didn't know any qualified people. I asked Paul Ward to recommend two or three people that he thought would be good. Prior to my appointment there had been some turmoil in the department. Relationships with the administration and with the legislature were not very good; I asked Ward for two or three names.

I picked the wrong person. I had to encourage him to leave later on. That was the only time when the agency office participated in anything other than approving the appointments.

When I was interviewed for the job in 1963, I knew there was trouble in the department, because I had been approached about the job in 1962. I wasn't interested then. Dan Blaine had left, and a successor to him was appointed. It was when Dan left that they first interviewed me about my coming to California. I declined because my youngest son was in his last year of high school, and he was having a kind of rough time. I didn't think it was time to move from Washington.

A year later, in 1963, I was in Vienna and received a long distance call from Winslow Christian, wanting to know if I'd be interested in the job now. I remember my saying, "You

Lowry: must have something bad going out there; you've got this fellow who has been there a year. You either made a very poor selection or you've given him a bad time." I told him that I'd talk to him when I got back to the U.S.

Christian came to Washington and we had an interview. Then Governor Brown and a fellow that I thought was his bodyguard came to Washington. Christian gave me a good understanding of the problems. I sent him a written document that said, these are the terms of my accepting the appointment.* I came here with the impression they wanted me to run the department, and so I just went ahead on that basis. I think that's what Brown wanted.

Morris: And the Reagan people didn't raise any questions?

Lowry: After they decided they couldn't get anybody else to be director and reappointed me, there wasn't anything different. There were three secretaries. One was Spencer Williams, then Lucian Vandegrift, and then another fellow, whose name I can't remember.

Morris: Jim Hall.

Lowry: Hall. Those were the three. He was there rather a short time, and I didn't see that he operated any different than the rest.

Morris: Hall?

Lowry: Yes. I just made the assumption that Christian and Brown were so tired of the trouble that they'd say yes to my conditions just to get me to come here. I remember one time when—who was the head of the Department of Finance when Brown was—?

Morris: Hale Champion.

Lowry: Champion. We got into a squeeze. The Neuropsychiatric Institute at Los Angeles had overspent its funds. The Neuropsychiatric Institute purchased a lot of services from the University, like X-ray and surgery. The institute was financed by the Department of Mental Hygiene. The expenses

*See earlier interview with Dr. Lowry on the Pat Brown administration in Perspectives on Department Administration, Regional Oral History Office, University of California, Berkeley, 1980.

Lowry: exceeded the amount of money that was appropriated for them to run their institute and buy these services by about a half a million dollars or so.

We couldn't transfer other funds to the institute without going to the legislature for approval. I was reluctant to do that in the first year I was there. I remember I went over and talked to Hale Champion and told him what the problem was and that I didn't want to cause the administration any embarrassment, but I was going to have to go to the legislature. He said, "Look, we've had so little trouble with the department in the year you've been here that I'll get approval for you to transfer the money. Just forget about it." [laughs]

That's the way they felt about it. They were just glad to get the trouble off their backs. They wanted somebody that would go ahead and run the program. That was fine with me. If it didn't run right I knew I couldn't lay it off on somebody else. They gave me the authority to do it; I can't fault them on that. Occasionally money was a problem.

Morris: About 1968 Governor Reagan sent a reorganization bill to the legislature which was supposed to formalize the relationship of his agency administrators to their departments. I wondered if that made any visible difference, say, in how Spencer Williams operated as agency head.

Lowry: Not that I recall, there wasn't any difference.

Morris: Was that the point at which the administrator's office began to build up staff?

Lowry: No. They may have had a small increase, but really it was after that. Actually it was after Reagan--when [Edmund G., Jr.] Brown came in. That's when the agency exploded, so far as numbers are concerned. They did it in a sneaky kind of way. They didn't go to the legislature and say, we want so many more jobs at the agency level. As near as I'm told, they would assess the departments and say, we want five of your positions to use at the agency level. They'd still be carried on the payroll in the departments, but they were working in the agency and selected and hired and fired by them.

Morris: That's complicated.

Lowry: Paul Ward and Spencer Williams trusted people once they had confidence in them. I gather from what went on later that the agency directors became less and less enchanted with the departments and didn't feel they could trust them; so they

Lowry: would take the positions from the department and hire people to watch what the departments were doing. Then gradually they began telling the departments whom to hire and really centralizing everything in the agency. Most of the people they hired were not experienced people who had been in departments and knew the business.

Morris: Whose loyalty was to the agency administrator rather than to a governmental function?

Lowry: I got the impression that later on a lot of it had to do with finding jobs for people who were useful politically, let's put it that way. They got obsessed with hiring people who wouldn't be hired by the department, particularly in the Mexican-American group. What was his name--?

Morris: Mario Obledo?

Lowry: Yes. I think he felt a real obligation to improve things for Mexican Americans, and they certainly needed improving; but I'm not sure I can endorse that as a way to do it.

Morris: Spencer Williams had run for attorney general.

Lowry: Yes. He almost got elected, without any help from the people that were backing Reagan.

Morris: His primary experience had been with law enforcement and corrections. How did that work out in agency meetings? How did he balance, what were the debates between Corrections and the Youth Authority and then the Department of Mental Hygiene?

Lowry: We never had any.

Morris: Really? No agency meetings?

Lowry: Very rarely.

Morris: I see.

Lowry: Brown had a meeting once a month with all the department heads. They called it the cabinet, but you had to have an auditorium. People from all the agencies and departments would gather, and somebody would make a presentation.

Morris: Pat Brown?

Lowry: Yes. Ninety percent of the people there were not interested in attending because the presentations had nothing to do with their business.

At the agency level we had very few meetings because business was done better if the departments worked together on a day by day basis. For instance, Welfare and Rehabilitation and Mental Hygiene. If you have a common problem, then you've got something to meet about.

For instance if we wanted to improve the rehabilitation services for the mentally ill, we got together with the Department of Rehabilitation people. We worked it out. It never had to go to the agency level. The same way in Welfare and Public Health. If we had a problem and we needed the skills that were in the Department of Public Health, we just went to them directly. There was no formal thing about it. It worked, it worked out beautifully, because everybody was in a sense leaning on everybody else when the time for help came. Same way with Corrections. I got to work closely with the Corrections people, but it had nothing to do with the agency. There was no forced union there.

Williams and Ward did it about the same way.

Morris: How about Vandegrift, when he came in as secretary?

Lowry: He tried to do things, but he suffered by comparison with Williams and Ward. He got himself so tied up with details that he was a very busy guy.

Morris: Departmental details?

Lowry: No, with things that were outside of the departments, that had to do with relations with the governor's office and other places. He was always kept informed about important department affairs. When we were thinking of doing something in a significantly different way, or had a new proposal. For instance, when we wanted to go from 75 to 90 percent [state reimbursement to local mental health programs.] Without the support of the agency secretary, one could not convince Finance; if you can't get Finance, you can't get the governor's office; and if you can't get that, you can't get the legislature. You have to nibble at the bottom till the whole thing comes out. [laughs]

Morris: You were experienced in implementation theory before it became a matter of study in graduate school.

Lowry: There are differences between the state and federal levels. I had seven years of experience of dealing with the executive and legislative branch of the federal government.

Morris: Did you ever have to defend some of these programs as they emerged and staffing changes before the cabinet and hear what the Business and Transportation and Resources agencies--?

Lowry: About the only time that I went to Reagan's cabinet meeting was when the department and the agency couldn't get the Director of Finance to agree to our position. There were three or four occasions when we would go, and things would be in a cabinet meeting.

If you couldn't get support from the agency director, there wasn't any point in going to the cabinet meeting.

Morris: Was Gordon Smith tougher to deal with than Cap Weinberger as director of Finance?

Lowry: Smith?

Morris: Gordon Paul Smith. He was the first director of Finance, for a year or so.

Lowry: You know, I don't even remember that name. Who came after Weinberger?

Morris: Verne Orr. Was the beef that Mr. Orr felt you were spending too much money and couldn't defend it?

Lowry: Well, that was the general principle, but I felt he never really even tried to understand why the money was needed. I don't think he was much interested in mental health services.

Now Weinberger was different. Weinberger was an easy person to deal with.

Morris: Really?

Lowry: Yes.

Morris: That's interesting. You felt [he] understood the concepts of why the state needed--?

Lowry: Weinberger and Orr are such different people. I can hardly believe that Orr is Air Force Secretary and Weinberger is Defense Secretary. They were different, but maybe they know and understand each other. They were different kinds of people.

Morris: I've heard the theory that while he was director of Finance, Caspar Weinberger for some reason shifted his viewpoint from being a moderate in terms of government and public services to being extremely conservative.

Lowry: Maybe so.

Morris: Did you see any evidence of that?

Lowry: No. Look at the appropriations for local mental health services--

Morris: Was Verne Orr's lack of response just for Mental Hygiene or did you hear the same thing from other people in the other health and welfare--?

Lowry: I don't know. I would guess so but I'm not at all sure that my feelings were shared by others.

III CRITICAL PROGRAM ISSUES

Patients' Rights and Hospital Commitment

Morris: Could we take up a couple of things that caused a lot of press space and discussion in the late sixties? The Lanterman-Petris-Short Act you seem to refer to as just an evolution of Short-Doyle. But there was an awful lot of consideration of the civil rights of patients.

Lowry: I think that was a different issue that came along later.

Morris: Lanterman-Petris-Short [1967] made changes in the commitment proceedings and conservatorship.

Lowry: Well, I don't think of that as civil rights. That was a change in the procedures that had to do with hospitalization. When I talk about civil rights I think of individuals' rights--they're tied in closely together.

Morris: Later there was a lot of noise, that's still going on, about whether or not electro-shock treatment--.

Lowry: The fundamental question is whether a patient has the right, which I call a civil right, to decide for himself whether or not he wants electric shock or medication or something else. If the patient has been found incompetent to make that decision, then there should be some legal representation or a legally appointed individual to make those decisions. But the right of the patient has to be maintained; that's what I refer to as individual civil rights.

The other has to do with procedures about how people are committed and on what basis. That's a group proposition. In order for any person to be deprived of his right to liberty there had to be a system to assure that this fundamental

Lowry: deprivation is only done under very specific circumstances. They could not be hospitalized, for instance, unless they were a danger to themselves or others. That would come under the broad rubric of civil rights.

Morris: How did this come to be something that took so much debate in the legislature and got so many people involved in writing letters?

Lowry: Frank Lanterman was very interested in this, as I was. My interest dates way back to the late 1940s when I was chief of the Community Mental Health Services Division of the National Institute of Mental Health. I was a member of a group from the Federal Security Agency that included Gladys Harrison, a lawyer, and some others who developed a model mental-health commitment act. It was published in 1952 as a guide for the states.

This was proposed as a means of protecting the rights of people with regard to being hospitalized. The state-government organization endorsed it, and then the NIMH tried to get individual states to use it in improving the commitment laws.

I'd been interested in this subject for quite some time, and Frank Lanterman was too. The problem was the difficulty of reconciling the views of opposing groups, some of whom were in favor of not having any way of hospitalizing a person who was in danger of doing harm to himself or others.

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Lowry: All these groups had an interest in what was being proposed. There were these people who had differing ideas which had to be reconciled in some way. That's the problem--trying to write legislation that protected the rights of the individual and at the same time protected the right of society to be protected. It was trying to get some language that made that feasible that was such a problem. It's still a problem. There are people who think that what was enacted was too liberal and other people who think it was too restrictive.

I think it's one of those matters of law that's almost without reconciliation. There has to be give in both ways; you have to satisfy both sides without giving full sway to either one. Whoever's trying to do that gets caught in the middle; you get brickbats from both sides.

Morris: There was again the implementation side of it. There are reports that a man named Arthur Bolton, who was in the Assembly Office of Research, was taking the planning and the implementation and the design of this bill away from the Department of Mental Hygiene, that there were legislators and whatnot who had their--.*

Lowry: I think that was in part true, but Bolton, whether he was in research or what, he was working for Lanterman. I can say that Bolton and that staff did the work for Frank, but I can tell you that Frank never supported anything without discussing it with me personally.. It wasn't whether the department opposed it or supported it. He and I would talk about any difficult areas, and we'd come to an agreement.

When it was written as a bill, the department was ready to support it. But the real work development of the bill was done by people working for Frank Lanterman.

Morris: How did Nick Petris and Alan Short get involved in it?

Lowry: Of course. Short was involved back with the original Short-Doyle Act.

Morris: In the fifties.

Lowry: Yes. Then Petris got interested, and Short; so then it was Lanterman, Petris, and Short. After a time, I think Petris and Short got tired of paying attention to this area but Frank was a bulldog when it came to things in which he had an interest. It continued forever. He was the moving force, and I think the other two names were included because of past history and their involvement.

Petris and Short were in the senate, and the bill had to pass through the senate as well as the assembly, where Frank Lanterman was.

*See The Skill Factor in Politics, Eugene Bardach, University of California Press, Berkeley 1972. This revised doctoral dissertation discusses in detail the passage of California's 1967 revision of the state's mental hospital commitment laws, known as the Lanterman-Petris-Short Act.

Expanded Services for the Mentally Retarded

Morris: And Alan Short was not as effective as he had been earlier?

Lowry: I think he had other things. Later on he was more and more interested in the retarded, and he's continued that interest.

Morris: Short or Lanterman?

Lowry: Short.

Morris: Short too was interested in the retarded?

Lowry: Yes, and since Alan Short left the senate he and his wife have devoted a great deal of time and energy to the field of mental retardation.

Morris: Really?

Lowry: Oh, yes. He stayed with it. He knew everybody. They help put on an art show at the state fair grounds once a year. He's the one that gets the space for them. He's really into it. He and his wife both. It's good for them and the retarded.

Morris: Keep him out of mischief now that he's retired?

Lowry: Well, he's a guy that's full of energy. He has to have something he can work on. He's done a great deal working with the mental retardation people.

Morris: Was he involved in the legislation? How did the concept evolve of cradle-to-grave care that ended up as the Developmental Disability Act?

Lowry: I'll have to go back and think about that. Short was involved, then Frank was the principal man there. Petris was particularly interested in retardation problems.

Morris: Were there community groups coming in?

Lowry: Oh, yes. The California Association for Mental Health was always interested in the legislation. George Argus, who was the executive director, worked closely with Frank on any legislation that was being considered. There were association local chapters, and when legislation was coming along he'd get the local chapters to get to the members of the legislature and tell them that we want this, this is good for us, and that sort of thing.

Lowry: The retardation association had two directors who were effective in working with the legislature. (Krause and Greene). That association is a very devoted group. They represented the principal consumer and advocate group that worked for the development of the retardation services.

Morris: They didn't see that as being something you could deal with with the existing mental health legislation and program?

Lowry: No, I don't think they did, and I don't think they should; because it's a very different problem. The approaches have to be different. It should be handled as a separate kind of activity.

Morris: Because it's a lifetime kind of--?

Lowry: It's a lifetime, and it involves so many fields; for instance, education is very important, and physical rehabilitation is very important. There's a great surgical need among kids who have developmental defects. Then there's the protection problem of the child particularly, and the parents' rights, and what happens to the child after the parent dies? It sounds relatively simple, but the retardation field is so very complex.

Morris: How did Mr. Reagan's people feel about this cradle-to-the-grave kind of concept? The financial commitments were quite sizable.

Lowry: That's right. The concept of local and regional services that was being advocated was accepted because it was to return the function to the local level. It was sort of a spin-off from the local mental-health services concept. The mental-health services provided at the local level sort of prepared the way for trying to develop similar services for the retarded. A different approach was used because the extent of the problem wasn't as great. It wasn't feasible to have the staff and the money for a program in every county. It was done on a regional basis.

Instead of having governmentally operated services like the local mental programs, much of the retardation program was based on making contracts for private services. The diversity of services required couldn't be supported for the few people that were eligible. It was cheaper to buy them from private sources.

Developing Department Legislation

Morris: Was the governor's office interested, or did they by and large leave it to you and say don't spend too much money?

Lowry: The governor's office in the time that I was there rarely initiated legislation. It was initiated at the departmental level or in the legislature. There were general concepts about how the governor's office wanted to operate. If a bill was to go to the legislature, it had to be cleared by the agency, the Department of Finance, and the governor's office before a legislator was asked to introduce it.

Morris: Was Reagan's legislative unit--?

Lowry: If the department and an agency agreed on a need for legislation, the department would prepare a proposed bill. The agency would work with Finance, to get their approval and to be sure that they aren't going to be against it because it cost too much money. If Finance didn't approve, and the agency still wanted it, then it would be decided at the governor's level.

It was very rarely that proposed legislation came to the department from the governor's office except bills that had originated in the legislature. They came to the departments to be reviewed for recommendations as to whether it should be supported, viewed with interest, or opposed. The governor's office had to make the decision as to whether the position, as recommended by the department, should be the one adopted by the governor.

Morris: How did the Department of Finance view the developmental-disability legislation with its long-term commitment of state funds?

Lowry: I really can't say how they viewed it; my guess is it was with apprehension because it was going to cost a lot of money.

Morris: But they didn't oppose you or Frank Lanterman?

Lowry: They always are more or less opposed. No matter what the proposal was, they had to be in favor of something less, in order to try and reconcile the amount of money available with the amount of money that's spent. That's their job; you know, it's their job to try and see that the state government doesn't get committed to expenditures that exceed their anticipated revenues.

Morris: How did Mr. Lanterman view Governor Reagan?

Lowry: He was glad he was a Republican. There were times when he expressed himself very strongly about the people in the governor's office and their lack of understanding. He didn't always get what he wanted, and as a result he didn't give the kind of wholehearted support to the governor's office that one might expect. Frank had a mind of his own, and some of the people that were on Reagan's staff didn't always agree with him. He didn't think much of people that didn't agree with him.

Morris: That's understandable. He also had many years of experience in the legislature.

Lowry: I think that the people who came in with Reagan really kind of ignored Frank in spite of his strengths in the legislature. They made the mistake in not getting him to be their full supporter and letting him help them. They were all so smart and knew everything, those that came in first; I don't think they really thought they needed any help in working with the legislature. Later on that changed, because they found out they had to be able to work with people in the legislature and particularly people who were wanting to be their friends.

Frank and I were very good friends. I used to go over to his office and we would talk. About business but sometimes other things. Frank expressed a lot of his opinions in public, but some of them he didn't express in public as he did in private.

Morris: I have walked with him through the capital and had him keeping up a running monologue about the legislature wasn't what it used to be.

Lowry: He was a great help.

Morris: Were there people in the legislature, either assembly or senate, who you did identify as having the governor's ear or being the people who would carry his legislation?

Lowry: No, Lanterman certainly must have had some, because he got legislation through. I wasn't really privy to that.

I worked with the members of the legislature who were most influential with regard to things that were of importance to the Department of Mental Hygiene. That meant that I concentrated my cultivation of understanding and relations and knowledge of what we were trying to do with less than a half a dozen people in the legislature. They were the half dozen that the other members of the legislature looked to for advice. Steve Teale had a lot of respect in the senate. Petris did too, but he was a little bit unpredictable.

Morris: He covers a lot of territory.

Lowry: Oh, yes. He's all over the place.

That's the system I learned was most effective with the Congress. I didn't try to work with everybody; one finds out who really runs things and then goes to those people and get them and their staff to understand what you're doing.

Morris: How about [Jesse] Unruh as the Speaker of the Assembly?

Lowry: You know, Unruh was supposed to be a power, and I guess he was in the legislature. I have never met the man.

Morris: Mental health was not one of his interests?

Lowry: He never evinced any interest in it. I almost always waited for an appropriate occasion before I initiated a relationship. For instance, somebody in the legislature would call and ask for information. That was an opportunity to work with them on a specific problem, rather than saying, well, Unruh's important; I'd better go and pay a social call on him.

I remember I got lots of advice when I got out here. One piece of advice was that I should go and see Alan Post as soon as I possibly could. People were a little annoyed with me when I said, "I'm sure there's going to be a time when Alan Post and I will have a good reason to talk to each other." The occasion came, and from that time on he was a good friend.

Citizen Input

Morris: Who was giving you advice on how to deal with things?

Lowry: [laughs] You mean with the legislature?

Morris: Yes.

Lowry: Some people that were in the department when I came and then some of the people that were in the California Association for Mental Health and the Retardation Association.

Morris: As time went on there were more and more citizen groups, including some rather vociferous ones. Did they help you move things forward?

Lowry: There really were only two significant citizen groups. One was the Association for Mental Health. I worked very closely with that group, and they were very, very helpful. The other was the California Association for the Retarded. I worked rather closely with Bill Greene, who was the director.

Before Greene there was Fred Krause. He went to Washington and I think he's still there.

Morris: Were there times when the interests of the Association for the Retarded and the Mental Health Association conflicted?

Lowry: Not openly. But they never could work together. Many of the people who were interested in mental retardation felt that it would be detrimental to have the retarded thought of in the public mind as being similar to the mentally ill. They avoided the people who were interested in mental illness.

I think they also felt that if they were associated with the larger problem of mental illnesses they would be swallowed up. Part of that was correct. Mental retardation really was sort of secondary in the Department of Mental Hygiene for many, many years. The association for the mentally retarded liked to operate in their own field. They probably were more effective in doing it that way.

The two executive directors worked together at those times when it was necessary. However, they tended to stay apart. Some people were very devoted and dedicated to the interests of the mentally retarded and would have nothing to do with people who were mentally ill. It was kind of a difficult thing, but at the same time it had advantages.

Bureau of Social Work and Community Care

Morris: In both cases there was a lot of concern, when the major shift came to community care, that the communities were not ready to receive them, that there weren't enough provider organizations set up to be contracted with.

Lowry: You mean for the mentally retarded.

Morris: For the mentally retarded and also for the mentally ill.

Lowry: It was true for both. I think, with wonderful hindsight, that the department failed to be demanding enough on the local programs to provide the full services for those who went to the state hospitals or came back to the community. The counties took on a new program and they felt their real responsibility was for the person who was hospitalized locally and was always a local problem.

You recall that California had a long history of an excellent Bureau of Social Work for many, many years. If a patient went to the state hospital, that patient became a responsibility of the state. They were placed on leave from the hospital, never discharged. There were staff members from the Bureau of Social Work stationed all over the state. They were supposed to look after the patients who were on leave from the state hospital.

When a person had a recurrence of their illness, the local communities felt it was a responsibility of the state hospital to send an ambulance to the community to take that patient back to the state hospital. They just completely rejected them. The attitude was that state hospital patients remained on leave forever. I couldn't believe how many thousands and thousands were on leave from the state hospitals. I later learned that there was a staffing ratio that for every so many patients on leave the Bureau of Social Work would automatically get an additional position.

I had the Office of Program Review do a study and learned that some of these patients hadn't been seen by a social worker for years, but they were still carried on the leave roll.

Morris: Therefore you had a large number of Bureau of Social Work staff.

Lowry: The staff was based on the number of patients on leave. A requirement was established that anybody that hadn't been seen four times in the previous year by a social worker was removed from the leave roll.

Morris: That must have made for difficulty in relations with the Bureau of Social Work.

Lowry: Yes. And that wasn't the only reason. This was one of the best social work programs in the United States for providing aftercare. Most states didn't have any at all. When the local programs began to provide services to the people who remained within the community, they also were supposed to provide the social work services and support services for the patients after they were discharged from the state hospitals. The hospitals began discharging patients, not placing them on leave.

Lowry: A number of the local programs thought they were being put upon, that the state really should continue to provide services to patients who had been in state hospitals. They'd have two systems, one for the patients on leave from the state hospital and the other for ones that were only treated locally.

There was legislation that allowed the department to assign social-worker positions to the local mental health programs. Or if they would hire social workers, the county programs would receive the money that would have paid the social-work staff. This really scared the social-work staff because it was the beginning of the end. The end was that there wouldn't be any patients on leave from the state hospitals; there wouldn't be any social-work services by the state. They would be provided by the local mental-health programs. That meant fragmenting this rather large social-worker organization.

Rightfully so, they reacted with a good deal of resentment to this notion. However, it was the implementation of the concept that more and more services should be local responsibilities.

Morris: Did the bureau as a whole later on get moved over to the Department of Social Welfare?

Lowry: Yes. Let's see. I've forgotten just when that was. It was not long after this authority to--.

Morris: Move them to the local--organizations.

[brief interruption when Sandra Merzoian enters the room]

Lowry: The social workers decided that the Department of Mental Hygiene was not the best place for them to be with this idea of moving to local programs. Then we got a ruling from HEW that the federal funds could not be used to pay social workers if they were not in a department of social work or welfare. By moving social services from Mental Hygiene over to a department of social services...

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...State social workers would no longer be necessary if and when the local programs provided social work services. It really wouldn't make any different whether they left or stayed in DMH, within, four or five years. My expectation was that this group of social workers would have moved to the local programs.

Morris: Was it your idea or the governor's office that you should move this unit of people to keep the money flowing?

Lowry: That idea came from the Department of Finance, as I recall.

Morris: They had somebody keeping an eye on federal money?

Lowry: Oh, absolutely. The notice came to the state; the letter came to the governor's office about not using the federal funds in the way we had been using them; it had to be done in this other way.

Governor's 1968 Task Force Recommendations

Morris: Governor Reagan had a couple of task forces on government efficiency and economy. One right at the beginning. Did they send a team around to the Department of Mental Hygiene?

Lowry: Sure. They looked at everything. [laughter] By the time they got through looking at everything they were supporting most of the things we'd been trying to get done. They were very helpful. That report was very helpful. But it wasn't too well received by the Department of Finance because what they wanted was a report on what could be done to reduce expenditures and reduce functions.

It was a pleasure to work with them.

Morris: Really. These were mostly businessmen.

Lowry: Yes.

Morris: Did you get to pick the ones that were assigned to Mental Hygiene?

Lowry: No. We'd just get an announcement. So I invited them to come in and said, "Whatever you want to know, we're ready to tell you about it. If we think you're not seeing what you ought to see, we'll point it out to you."

Morris: How many people were there? Do you recall? A lot or just a couple?

Lowry: I've forgotten how many. I really only dealt with two or three of them that were the principal ones. I think it must have been a total of about ten. They didn't work full time.

Morris: Did you have somebody on your staff that you could send around with them to look at the hospitals and the local--?

Lowry: Nobody, as I recall, had that specific function. But whenever they wanted to go someplace, why, we'd make arrangements. It was my executive assistant that arranged for them to get there and do whatever they felt they needed to have done for them.

Morris: Were there any people who had any previous exposure or participation in mental-health services?

Lowry: Not that I was aware of, no. They were really an impressive group, the ones I dealt with.

Morris: Retired businessmen or middle management?

Lowry: I think some of them were semi-retired; the top people were semi-retired and had considerable business experience and knew organizations and how they ran. I couldn't give you their names now. I suppose we could dig them up, some of them.

Morris: I've got a copy of their summary recommendations; I don't think it identifies who did what.*

Substance Abuse Programs

Morris: I'm getting to the end of my questions. One of the things that was getting a lot of concern in the community in the sixties and early seventies was drug abuse. The governor had a couple of task forces on that. Did the Department of Mental Hygiene take some kind of a lead role?

Lowry: We spent a lot of money on drug abuse programs. After the early seventies I think it was supported as a separate program. First we tried to get the local mental-health programs to provide services. That's the initial step. They got into the treatment of patients with drug abuse. At the state hospitals we had three or four experimental programs where we established separate

*Summary Report and Recommendations, Governor's Survey in Efficiency and Cost Control, February 1968, pp. 118-121.

Lowry: sections of the hospital for drug programs. After their physical dependence was taken care of, they stayed on in sort of a--I don't know really how to describe it--a self-governing community section within the hospital with staff of the hospital working with them to try and reorient their living habits.

Morris: To get at the reason for the dependency on the drugs?

Lowry: It was really more of their trying to learn to live with other people in this small community until such a time as they could go out and live in the community.

Morris: Sort of a pre-half-way house?

Lowry: That would be before they'd go out. An attempt to get them to learn that they could live without using drugs. There was a tremendous emphasis on the self-government aspects of this. A lot of group-therapy kind of activity that went on. Mendocino [State Hospital], I think, had one of the better programs.

The results were very poor. After they left, the relapse rate was probably almost as great as if this hadn't been done. The enthusiasm for this sort of program declined. The programs were discontinued as the experiment showed that it really wasn't producing the results desired.

It was very expensive. I think at one time the number in Mendocino was about a hundred in this special section. There were no special funds for this; it was from the general appropriations.

Morris: The special funds were not until after you left the department?

Lowry: I don't think we had any while I was in the department. I think the legislature appropriated special funds later. We may have had some, but I don't remember even having a section on drug addiction in the department prior to the time I left.

Morris: Didn't Mendocino also have a pilot program on alcohol abuse?

Lowry: That research program was done at--what's the hospital at Norton? Patton State Hospital in southern California. Mendocino had a treatment program for alcoholism.

Morris: I thought it was similar to this--you know, how to live with the fact that--.

Lowry: It was, yes. But the research program was down at Patton's.

Morris: Drug abuse was a critical public concern in Reagan's administration. Was he making noises about we have to protect our youth from--?

Lowry: No. I don't think it was such a big thing.

Morris: Really?

Lowry: It was a serious problem, but I mean it wasn't a big thing so far as the administration was concerned. I'm comparing it with what is now occurring at the federal level, where Nancy Reagan has become interested. She was interested in mental retardation when she was here. She worked very quietly, and hardly anybody knew of her interest.

There never was any indication by the administration to the Department of Mental Hygiene that the department should do any more than it was doing in the support of local services and in the experimental hospital programs that were established.

Morris: I see. And you weren't getting concerns from community mental-health programs that were seeing a lot of drug abuse.

Lowry: No. They were handling the problem themselves in one way or another. There was a big thing then that the use of methadone was going to solve the problem. A lot of the local programs got into that, methadone really hasn't made a lot of difference. It's very unsatisfactory, as far as results are concerned.

I mean the treatment of both alcoholic individuals and drug. Very difficult, very unsatisfactory in terms of positive results. It's such a discouraging thing.

Morris: Yes. There was also a Council on Alcoholism building up strength in '68, '69, '70. There was an Office of Alcohol Program Management operating out of the governor's office. That didn't impact on what you were doing? That's what I was curious about.

Lowry: [indicates no]

Morris: Okay. They were doing information and helping communities develop plans.

Lowry: That group interested in alcoholism was very strongly opposed, like the mental-retardation people, to being associated with the mentally ill. Their phobia was even stronger than that of the people interested in mental retardation. They really didn't want to associate alcoholism with the general concept of mental illness. They may be right, of course. They stayed away as if it were the threat of the plague.

Morris: It's curious, because again and again you read statistical studies that go on about the number of people in mental hospitals who are alcoholic, or alcoholism as a contributing aspect of whatever brought them into the hospital.

Lowry: It's a very significant amount of hospital care that's devoted to alcoholic patients. The consumer advocate group interested in alcoholism didn't like to be associated with the mentally ill. I remember when I was director of a hospital that had a large number of drug addicts just after World War II. In those days a significant number of people who had been alcoholics changed to using narcotic drugs, particularly morphine.

Morris: After World War II?

Lowry: It was true before W.W.II, but that was the period that I was talking about. They had about five hundred narcotic drug addicts at the hospital. Of these, there were probably about a hundred to two hundred at any one time whose introduction to narcotic drugs was through alcoholism. Many times it was because some physician had given them some morphine to sober them up from their alcoholic hangover and disability.

Morris: Was this a widespread--?

Lowry: No, it wasn't widespread, but it is an effective thing to do. But the cure is worse than the disease, because alcohol users found out that they could function better using morphine or heroin than they could if they kept on being alcoholic.

If a person is drunk he's pretty obviously drunk, and his mental processes are much interferred with. A lot of those effects are not present if you use heroin or morphine. Sometimes with an overdose of morphine or heroin, you'd go to sleep. People are much easier to get along with if they're narcotic drug addicts than if they're alcoholics. Now that's not true of cocaine because cocaine is a terrific stimulant. People do a lot of unusual things when they're using cocaine.

I invited the local Alcoholics Anonymous organization to come in to start a group in the hospital. At first they didn't want to come in because they didn't want to be associated with anybody who was a narcotic drug addict. But they finally came in. It was under the condition that they would select only those people who really were primarily alcoholics. They didn't want anything to do with drug addicts.

IV CONCLUDING THOUGHTS

Changing Attitudes Toward Mental Illness

Morris: The poor old psychotics have nobody who loves them?

Lowry: No, no.

Morris: Oh, dear. That's too bad.

Lowry: I think there's a beginning. I think that today there's a more general acceptance of the people who have a depression. Some of the people with this disorder are very productive and important. Everybody gets a little depressed now and then, so one can have some understanding, about being down. One gets some understanding of how awful it must be if you're really in a serious depression. There have been more advances in the treatment of depressions than in the treatment of schizophrenic disorders. So people are a little more optimistic.

Morris: And then the psychiatric profession has been able to isolate, identify, or better define more appalling kinds of things with children and things of that sort.

Dan Blaine, in the long-range plan prepared while he was DMH director, had a concept of a continuum of mental-health services that would start with us saying, "You and me and sometimes I have my doubts about you," all the way through these various special conditions on to the chronically ill person. Did that idea have any usefulness in the establishing of public services and developing public support?

Lowry: I think it was hoped that it would, but I don't see any evidence of it. Unfortunately, most people have no interest and in fact try to avoid thinking about mental illnesses until either they are sick or a close relative or a friend gets sick. It's a very disruptive illness.

Morris: Like war and death and things of that sort.

Lowry: Wars are limited. In our day and age some of them seem to go on forever. Fortunately, most wars only last a few years.

Decision to Retire, 1971

Morris: Did you have any special reason, or just it was time to leave, for deciding to resign from the Reagan administration?

Lowry: I think I'm sort of like a grasshopper. I was director for seven years, and it was time for me to change. [laughs] It was a personal decision. I didn't leave because things were getting to the point where I thought it was hopeless. I left because I thought things were as bad as they could be in the first year that Reagan was governor, then they improved. I decided that I was ahead rather than behind, in terms of accomplishing things, and that was a good time to quit. Just like one gets out of a poker game when you're winning, not when you're losing.

I'd been doing the same thing for seven years. My ideas had been used and it was time for somebody else to take over. Then there was the age factor. At that time, in '71, I was still young enough so I could have another kind of career before I quit working entirely. I took a year's vacation, and then spent seven years in mental-health services consultation work. Then I quit working--forty years after graduating from medical school.

I say I've got some kind of a seven-year work cycle. The only thing that concerns me is what happens after seven years of not working.

Morris: You certainly seem to be spending a lot of focused energy on the kinds of things you're doing.

Lowry: Oh, I'm doing a lot of things. But that should end at seven years. I should get involved in other things, and I don't know what they are.

Morris: Cross-country skiing perhaps.

Lowry: It may be.

Morris: How long a process was it to get extricated? By then Jim Hall was secretary of Health and Welfare.

Lowry: Yes. He was secretary. I only have one recollection. I wrote a letter to the governor I think it was about three months before the date when I said I would quit. I said that I hadn't made my decision to retire known to anybody. I thought it might be prudent to not just resign and then have them start looking around for a new director. It remained surprisingly quiet until they made the announcement.

Morris: It was quiet until the governor announced that you were leaving?

Lowry: I didn't make any announcement. I said I thought it was appropriate for them to do it. I think they waited about six weeks. I think they thought I might change my mind. I didn't.

Morris: They would have preferred you to have kept on?

Lowry: I guess the answer is yes, because after a period of time the governor asked for me to come to see him. He wanted to talk about my leaving. I told him why I wanted to retire. I'd decided that was it.

Morris: What did he want to say? Did he want to say something or did he want to hear--?

Lowry: I just told him I thought he ought to figure out how to do it in the least noisy way; that there were always some people looking to cause problems. It should be done in such a way that it didn't look as if he were firing me, because that wouldn't do him any good and it wouldn't do me any good. That wasn't the case. He said in effect, "Well, if you've made your decision, you can do it." It was a very pleasant parting.

Press Relations

Morris: The press does not accept somebody retiring in the fullness of time?

Lowry: Not very many department heads quit. The press appeared to have enjoyed the turmoil of the first year or two when Reagan was governor. There was all the difficulty with regard to the program and its being curtailed and then increased. They might have been looking for something to make a noise about, which I didn't think I wanted and I didn't think he wanted.

Morris: In general was the press more of a help or a hindrance in trying to administer the department?

Lowry: I would say that it was 90 percent positive, and it was useful. But there were some people who were trying to be helpful who only knew how to be helpful by attempting to be destructive. They were not helpful; because when the governor was attacked for doing things he was, like most people, defensive about it. Some people seemed to be more interested in finding reasons to attack than finding ways to improve.

But the press really was very helpful. Al Calais, who was the information officer and who had been a newspaperman, worked very closely with the press. Because of his relations with the press they trusted him. He was able to give them information that they would use without causing him any embarrassment or me any embarrassment. I did the same thing.

I shared information with the Medical Advisory Committee and with the executive director of the Association for Mental Health that I couldn't have given to the public because it had to do with things that were going on in the budget process. You're not supposed to tell anybody anything until the governor's budget is sent to the legislature.

Al Calais did a wonderful job.

Morris: What about things like periodically there are quote-unquote "exposés" in the press of terrible conditions at this hospital or this board and care home? Is that something that the department upon occasion would be happy to be publicized?

Lowry: My attitude was to let people know how things really are. Prior to my coming there was a lot of publicity about how awful things were in the state hospitals. Some of them were terrible, really terrible. Having an exposé doesn't solve the problem. What is needed is people to try and solve the problem, because you already know the problem is there.

Most people are willing to help. There are a few individuals who seem to get delight in making trouble but never have a plan for a remedy for the problem. They don't have any plan of action. The expose isn't done as part of a planned system for making things happen to improve conditions.

There were some people who developed a special, personal dislike of the governor. They enjoyed finding any excuse for raising hell and held him responsible in some instances for things he probably didn't even know existed. But that's politics.

A Thankless Job; A Note on Frank Lanterman

Morris: Did you participate in the selection of Dr. [J.M.] Stubblebine as your successor?

Lowry: I'll only answer that off the record.

Morris: Okay.

[tape interruption]

Morris: Maybe I could ask a more general question. Was there a lot of competition for the job?

Lowry: I don't think so. [laughs] It's a thankless job, really.

Morris: My hypothesis would be that if you are a professional in public mental-health services, I would think there would be a certain number of people who would think, "There's a career opportunity and I can make a name for myself."

Lowry: Well, that's true, but the record doesn't show that. I figured out how many directors they'd had in the department prior to my coming here; the job life-expectancy was two years and nine months. I was there for seven years.

There were a number of people in the department interested in the job. Bill Beach was one of them, and he came to talk to me about it. I said, "Bill, I think you'd be foolish to be interested in this job."

And he said, "But I am." I said, "Well, fine. You're interested, but don't tell me that I said that you should be interested." The director in Yolo County was a very capable guy, and he talked to me about it.

I said, "You're a friend of mine. I couldn't recommend your seeking the job." Ralph Kennedy, down on the Fresno program, was another one that talked to me about it. I had to tell him the same thing.

I think the problem with most people is that they don't really know what the job of director entails.

##[Following completed from notes]

Morris: You've mentioned Spencer Williams and Lucian Vandegrift as secretaries of Health and Welfare. How was Jim Hall to work with in that spot?

Lowry: He was not as involved in the job as Spence. It seemed to me that he regarded his tenure as something temporary, a step to something else.

Morris: One last question on Frank Lanterman. He had considerable seniority and standing in the legislature and was a Republican-- how was he regarded by Governor Reagan? Was he a legislator the governor's office would go to for advice?

Lowry: Well, I think he tried to be helpful, but my observation was that they didn't feel the need for any legislative advice from him.

[chuckles] Did I ever tell you about my first meeting with Frank? It was about two weeks after I got here, in April 1964. I had to testify in support of the governor's budget, which had been prepared before I came to the department.

It was an evening session [of the Assembly Ways and Means Committee] and Frank Lanterman was there. He kept asking me questions. It was the governor's budget, and he was in opposition to Pat Brown, so they were very pointed questions.

Morris: About you as the new director?

Lowry: No, about the budget. He kept pressing me, so finally I said to him, "Mr. Lanterman, you know more about the Department of Mental Hygiene than I do. I suggest there is no point in continuing to ask questions I haven't been here long enough to answer." He smiled, and he didn't ask me any more questions. When the hearing ended, I went up to him and said, "I'd like to get to know you. Come on over [to the Senator Hotel across the street from the capital] and let's have a drink. I know you've been testing me." Well, we did, and we became very good friends. We'd often talk together in his office after work. Sometimes about department programs, sometimes other things.

Morris: He could be a very engaging person, and he certainly had strong ideas. Was he well liked by his fellow legislators?

Lowry: I'd say he was respected. They looked to him for guidance.

Transcriber: Nancy Spriggs

Final Typist: Anne Schofield

TAPE GUIDE - Dr. Lowry**Date of Interview: August 30, 1984**

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APPENDIX A (Courtesy of the Reagan Collection, the Hoover Institution.)

MEMORANDUM

TO: Ronald Reagan

FROM: William P. Clark, Jr.

DATE: 29 November 1966

SUBJECT: Summary of agency briefings on 28 November 1966
(Revenue and Management; Youth and Adult Corrections;
Health and Welfare; Department of Agriculture;
Transportation). Syllabi attached hereto.

I. REVENUE AND MANAGEMENT

Hale Champion, Agency Administrator, Edwin Beach, Chief of the Budget Division and Martin Huff, Executive Officer, Franchise Tax Board, began by discussing the revenue-expenditure gap i.e. the budget (which has gone to press) versus the cash flow problems pointing out that the most imminent deficiency area is that of health and welfare. Following the admission of the financial crisis confronting us, the mathematics of which are presently being compiled by Jim Dwight, Mr. Champion suggested a combination of new or additional revenue sources:

- (a) Utilities use tax.
- (b) An increase in cigarette tax.
- (c) Sales tax.
- (d) Income tax withholding.

While the proposed budget has been printed, Mr. Champion pointed out that it may be modified. He stressed that in that the proposed budget is presented to the Legislature on January 30th, all proposed modifications should be made on or before December 15th.

IMPRESSION: Mr. Champion acknowledged that a financial crisis exists; it is recommended that after the extent of the crisis is determined by Jim Dwight, the facts be revealed to the public.

II. YOUTH AND ADULT CORRECTIONS AGENCY

Richard A. McGee, Administrator, Walter Dunbar, Director of Corrections and Heman Stark, Director of Youth Authority, spent most of the briefing period discussing the statistics contained in the attached syllabi. The agency retains 10,500 employees and maintains a budget of \$140,000,000.



Memo to Ronald Reagan
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Mr. McGee emphasized that three studies be commenced by the Board of Corrections forthwith:

(1) Organized crime in California. Mr. McGee stated that the complexion of organized crime has changed substantially from what was encountered at the time of the last major study, namely during Earl Warren's administration.

(2) Better communication toward obtaining the public's respect for law and order.

(3) Predisposition of a prisoner prior to commitment or detention, suggesting that costs could be reduced by less detention of a prisoner prior to final disposition of the person.

Mr. McGee expressed concern over those statistics which show a marked increase in crime among Negroes whereas the crime rate appears to be decreasing in California among other ethnic and racial groupings.

IMPRESSION: The briefing revealed that the agency, if its statistics are correct, has successfully reduced its costs in the recent past.

III. HEALTH AND WELFARE AGENCY

Paul D. Ward, Administrator, conducted the one-hour briefing by calling upon approximately twelve directors and department heads for short presentations; most of the presentations are contained in the attached syllabi. The most imminent problem within the agency is that of its inability to reimburse local mental health programs for expenditures made in reliance upon the Medi-Cal program. This deficiency presently totals \$5,200,000. When Dr. James V. Lowry, Director of Mental Hygiene, was asked how he intended to reimburse the counties in January, February and March of 1967, he answered that he is seriously considering a ninety-day vacation. Dr. Lowry attempts to reduce the matter to a memorandum dated November 25th, a copy of which is attached hereto. Mr. Ward is now in Washington in an attempt to obtain the requisite funds; a meeting has been scheduled between Mr. Ward and ourselves at 10:00 a.m., Monday, December 5th.

Several directors within the agency have scheduled additional meetings for more extensive briefings upon their particular projects.



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IMPRESSION: Those in attendance in behalf of the Health and Welfare Agency appeared to be the most defensive of their positions and program of those encountered during the briefings.

IV. LUNCHEON, LEAGUE OF CALIFORNIA CITIES AND COUNTY SUPERVISORS ASSOCIATION

In a luncheon conference directed primarily by Richard C. (Bud) Carpenter, General Manager and Counsel, League of California Cities, and William R. MacDougal, General Counsel and Manager, County Supervisors Association of California, your approach to the partnership concept of government as opposed to Mr. Brown's philosophy of co-existence, was lauded. We were urged to develop better communications among your offices and municipal and county levels of local government.

V. DEPARTMENT OF AGRICULTURE

Charles Paul, Director, emphasized the problems of the inequality in transportation rates in the west and southwest United States and certain infestations within the state. He supplied us with the attached pamphlet "What We Do" and concluded by stating that he has directed all personnel to cooperate with the new administration. He stressed that his "budget of \$40,000,000 is balanced."

VI. TRANSPORTATION

The most extensive presentation of the day was made by Robert Bradford, accompanied by John Erreca, Tom Bright and Bradford Crittenden. It is preferred that the summary of this briefing be presented to you after further comparison of conference notes among Phil, Dirk and myself; this will be completed within twenty-four hours.

Respectfully submitted,

WILLIAM P. CLARK, JR.

WPC/da
 attachments

Dr. Lowry To Leave June 30

Dr. James V. Lowry will leave the Department of Mental Hygiene on June 30, 1971. He has been the director of the state's largest department since 1964, serving the mentally retarded and the mentally disordered through three gubernatorial terms, for two governors. No one before him served for so long a period.

It was a period of change during which time the staffs of the hospitals achieved unprecedented gains on behalf of all patients—the newly admitted and the chronic, the young and the geriatric, the alcoholic and the drug abuser, and the mentally retarded.

Dr. Lowry recently notified Governor Reagan that after an active career extending from enlistment in the United States Public Health Service, after graduation from medical school at the University of Wisconsin in 1937, he had decided to assume less arduous responsibilities and plans to provide consulting services on mental health programs for public agencies and private organizations. He is 57 years old.

Dr. Lowry came to California in April, 1964, the day after retiring as Assistant Surgeon General of the United States, at which time he was in charge of Public Health Service medical services, including those provided by 50 hospitals. He had been recommended to Governor Brown by a "task force" of three California physicians and a jurist. He was one of two directors of state departments retained by Governor Reagan.

When Dr. Lowry came in 1964, there were 32,000 mentally disordered patients. Since that time 241,687 patients have been admitted to the state hospitals for the mentally ill. Today there are about 11,000 patients in the hospitals for the mentally ill.

There were 13,100 patients in the hospitals for the mentally retarded in 1964. Since that time, there have been about 5,000 admissions to the hospitals for the mentally retarded. Today there are about 31,000



James V. Lowry, M.D.

Governor Reagan Praises Dedication And Achievements

Gov. Ronald Reagan regrettably accepted the resignation of Dr. Lowry, effective June 30. The Governor praised Lowry's "long and dedicated service to the people of California" and noted "the tremendous strides which have been made in upgrading the care of the mentally ill in California over the past few years" under Dr. Lowry's leadership.

CALIFORNIA'S

ONE SYSTEM TEN SERVICES

A JOURNAL ON TREATMENT AND CARE OF THE MENTALLY DISORDERED

Vol. 2 No. 6

Sacramento, California 95814

April 19, 1971

patients in the hospitals for the mentally retarded.

In 1964 community programs provided treatment and care for about 22,000 patients. This year they will provide care and treatment to about 230,000. There were 20 community programs in 1964; today there are 36 community mental health programs serving 56 of California's 58 counties.

None of these achievements—fewer patients in the hospital at any one time, yet more patients during each year, as one example—could have been achieved without the medical and nursing and service staffs at the hospitals. Dr. Lowry has consistently cited this staff devotion and dedication in speeches and before legislative committees.

Without it, he has always emphasized, it would have been impossible to eliminate overcrowding in hospitals (already achieved in hospitals for the mentally ill, and soon to be in hospitals for the mentally retarded).

Programs for the mentally retarded have been added in three state hospitals since 1964 while the number of patients decreased from 13,500 to 11,000. The standard of 70 square feet of bed space per patient (adopted in 1968, up from 55 square feet) will be achieved by July 1, 1971. The programs for the retarded have more staff than at any time in their history and the hospitals are within 18 to 24 months of reaching 100 percent of the staffing standards. The two-year waiting period for admission in 1964 has been reduced to about two and one-half months.

The hospitals for the mentally ill already are at 100 percent of the nursing staffing standard. The standard was adopted in 1968, replacing standards which were antiquated and ineffective. Although itself controversial, the new standard was unanimously praised by professional and employee organizations as being greatly superior to the old formula.

During his tenure in California, Dr. Lowry was called upon by the Legislatures of

such states as Colorado and Illinois to assist them in evaluating their mental health programs and services. In California, he worked closely with the Legislature and especially Assemblyman Frank Lanterman in developing the Lanterman-Petris-Short Act, and in amendments which have strengthened the capability of counties to provide mental health services close to home through the Short-Doyle Act.

Both the Lanterman and Short-Doyle Acts have been singled out as "milestones" in mental health and their provisions are being copied or adapted to the needs of several states.

A native of Milwaukee, Dr. Lowry received his bachelor of science and medical doctor degrees from the University of Wisconsin. He served his internship at the United States Marine Hospital in New Orleans and his residency in psychiatry at the United States Public Health Service Hospital in Ft. Worth, Texas and the Colorado Psychopathic Hospital in Denver.

He was on the research staff of the National Institutes of Health in Washington, D.C., from 1940 to 1943. He was clinical director, and, later, medical officer in charge of the United States Public Health Service Hospital at Lexington, Kentucky.

He served as chief of community services of the National Institute of Mental Health in Bethesda, Maryland, from 1947 to 1954. He became Assistant Surgeon General in 1957, then became deputy chief and, later, chief of the bureau of medical services.

He is a diplomate of the American Board of Psychiatry and Neurology, a fellow and member of the Council of the American Psychiatric Association and a member of the Association of Military Surgeons, among other professional organizations.

Dr. Lowry and his wife, Ethelyn Hoyt Lowry, will continue to make their home at El Macero, just west of Sacramento.

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Regional Oral History Office
The Bancroft Library

University of California
Berkeley, California

Government History Documentation Project
Ronald Reagan Gubernatorial Era

William Penn Mott, Jr.

MANAGING THE CALIFORNIA STATE PARK SYSTEM, 1967-1974

An Interview Conducted by
Ann Lage
in 1984



WILLIAM PENN MOTT

Oakland, 1984

photograph by Suzanne Riess

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INTERVIEW HISTORY

William Penn Mott, Jr., professional park administrator and designer, was Ronald Reagan's choice for director of the California State Parks and Recreation Department in 1967. Mott came to the job with a national reputation for his excellent leadership as director of the parks department in Oakland, California, and general manager of the East Bay Regional Parks District in the hills of Alameda and Contra Costa Counties. Fiercely independent and firmly convinced of the value of parks in maintaining the health, welfare, and productivity of the citizenry, Mott appears to have quickly won Reagan's respect and support.

Mott's oral history recounts the many innovative and sometimes controversial changes in the park system during his eight-year directorship. With Reagan's support, he reorganized the parks department and united the parks and recreation commissions. He opened up ranger positions for the first time to women and to applicants with people-oriented backgrounds, in addition to wildlife and natural resource managers. His tales of his campaigns for unisex toilets and communal garbage cans illustrate his attention to details of park management as well as his grasp of broader issues of park policy.

Mott is most proud of his accomplishments in interpreting park values to the public and establishing professional training for park personnel. He recounts how he won statewide support for the park system by turning the attention of park department employees at all levels to effective public relations. The broad public and legislative support, Mott believes, helped maintain adequate park budgets within the fiscally conservative administration and to pass the 1974 parks bond issue with Governor Reagan's endorsement.

Mott's oral history, then, presents a unique individual with a high-energy commitment to parks and recreation working within an administration generally considered less than enthusiastic about environmental values. His descriptions of relationships with the governor and with other less environmentally-oriented departments are of especial interest. Mott's appointment as director of the National Park Service in the year following this interview lends even greater value to his descriptions of his position within Ronald Reagan's gubernatorial administration in California.

When the interview was conducted on May 23, 1984, Mott was president of the California State Parks Foundation and general manager of the East Bay Zoological Society. The interview was tape-recorded in his foundation office in Oakland. Mr. Mott reviewed the interview transcript, making only minor changes for clarity and accuracy.

Mr. Mott has also been interviewed at length regarding his work with the East Bay Regional Parks, and that transcript is on deposit at the parks

district office. In addition, a videotaped interview with Mott is in process, also under the auspices of the East Bay Regional Parks District. A copy will be available in the Bancroft Library.

Ann Lage
Interviewer-Editor

June 19, 1985
Regional Oral History Office
486 The Bancroft Library
University of California at Berkeley

I PARKS IN THE PUBLIC INTEREST

[Date of Interview: May 23, 1984]##

Philosophy of Park Administration

Lage: This is May 23, 1984, and this is an interview with William Penn Mott, Jr., on his years as director of the California state parks.

Let us start, just briefly, with a little background. You came to the parks after serving fifteen years as the superintendent of Oakland parks?

Mott: Yes, and I also served five years with East Bay Regional Parks as general manager.

Lage: Would there be any cogent and brief way to describe how those experiences may have affected the way you stepped into your job as director of the California state parks?

Mott: Well, of course, both jobs had to do with parks, had to do with people using parks and had to do with the needs and requirements for parks, both at the local level and at the regional level. Prior to coming to Oakland, I had been with the National Park Service, so I had broad experience and an understanding of what was required to administer a park system.

Lage: And you were very much public-oriented, it seems to me--parks for the people.

##This symbol indicates that a tape or a segment of a tape has begun or ended. For a guide to the tapes see page 48.

Mott: That is correct. I think parks are for the people. In fact, I feel that one of the problems that we are facing today is that politicians do not seem to realize that they are there in the public's interest rather than the specific interest.

Lage: When you say "specific"--

Mott: Well, in specific interest you sometimes get involved in making decisions that are not in the public interest but are for some specific group or interest that may be different from the public's interest.

Lage: You mean picking out one park user category?

Mott: Right. I guess the big controversy on the water plan is an example. One has to look at this in the public's interest, not just northern California and southern California. But you have to look at it in the total public interest, including the environmental interest, the recreation interest, the water interest, the farmers' interest, and the interest of the commercial users of water. All of these interests have to be looked at and then make the decision that is in the total public interest, not for one of those specific interests.

Lage: Yes, the balancing of interests.

Mott: That's right.

Lage: Was this the philosophy that you had at the time you stepped into the state job?

Mott: Yes, I believe that parks have to be developed in the public interest, which means a balance in the park system. In other words, you cannot develop the park just for the hikers, or just for the baseball players, or just for the off-road vehicle people. You have to remember that people have different recreation interests and develop a balanced program in the public interest. That is difficult.

Lage: I can appreciate that.

Mott: Because sometimes you do not know exactly what the public's interest is. You always know what the specific interest is.

Lage: They make it known.

Mott: That's right.

Appointment as Director of State Parks

- Lage: Let us step right in now to the job as director of state parks. Tell me about how you came to be appointed. What was the course of action there?
- Mott: I do not know why I was chosen. I was called by the appointment secretary of the governor and asked if I would be interested in taking on the job of director of Parks and Recreation.

I also got a call from the secretary of the Resources Agency, who had been appointed by the governor, Norman Livermore. And when he called me, I said that I had received a call from the governor's office and I was giving it some consideration, but that before I would make a decision, I would want to talk to the governor directly. And so Mr. Livermore made an appointment for me to meet with the governor.

I told the governor that I was interested in the job and that I had been in park work all my life and that I operated strictly on a professional basis. (I knew something about the department because I had been dealing with it through the regional parks on various matters.) I said I would take the job, but he should understand that I would be operating on a strictly professional basis.

He looked me right straight in the eye, and he said, "That is the reason you have been chosen. You run the department; I'll handle the politics." And that was the way it was for eight years.

- Lage: Did you discuss at all your philosophies or possible goals or--
- Mott: After that comment, he asked me what were some of my thoughts in connection with the department. I said that I felt it was a very inefficient operation to have a recreation commission and a park commission overlapping in many cases, sometimes in conflict, that I felt that the two commissions should be combined into one park and recreation commission. I felt that no longer did we think of parks and recreation as two separate identities. I also said that I felt that it was necessary to reorganize the department to meet the challenges of the next twenty-five years. I was not specific. I said that I just felt that it needed to be reorganized in order to meet the challenges.

I said that I would support a total balanced program; that I would not favor any one group over another, but I felt that there were some things in the Parks and Recreation Department that were totally lacking that needed to be infused into the department both in its personnel and in its operation, as well as its land acquisition and development program.

Mott: He said, "That's fine. What I am looking for is some creativity in the running of the department and in meeting the challenges for the next twenty-five years."

Lage: So you did not get into issues or exact directions you would want to go.

Mott: No.

Lage: You seem to have had quite a knowledge of the department.

Mott: In the regional parks, we dealt with the state on occasions about various matters. And because I was always interested in this field, I would discuss matters with them in connection with development.

I was aware of some of the problems because when I was with the regional parks, prior to Governor Reagan asking me to take the job, I got a call from Governor Brown, Pat Brown. He asked me if I would take the job of director of parks. This was when I had just come to the regional parks, and I had been there only about a year and a half or two years. He called me--he was in Australia and when he got me it was about three in the morning, as I recall.

I said to him, "Do you know what time it is?" And he said, "Well, no. What time is it over there?" I said, "Well, it is three o'clock in the morning." And I said, "I appreciate your call. I am flattered by the fact that you have asked me. I would take the job except that I have just taken the job of general manager of East Bay Regional Park District. I have a tremendous job of reorganization, and I have just started, and I would not under the circumstances leave that job to take the state job. I would have to decline the job."

Lage: You did not have to think too long about that.

Mott: No, because President [Robert Gordon] Sproul* had asked me to take the job at the regional parks and had actually, as a matter of fact, waited a year while I was finishing up my work in Oakland. I just felt that it was totally unfair to move on to another job, even though it was a challenge and a bigger job and everything else, and leave something I had just started. I wanted to finish that job first.

Lage: It sounds like you did a good job finishing.

*President of the East Bay Regional Parks Board of Directors and of the University of California.

Mott: Well, I think so.

Lage: So you didn't talk with any other Reagan people. You talked to Ike Livermore and Governor Reagan himself.

Mott: That is right.

Lage: Did you talk to any other of his staff?

Mott: No.

Lage: Then you stepped right into the job in March, 1967?

Mott: That is right. I could not come right away because I was still finishing up the regional park work. They had asked me to come in the first part of January, I think it was. I said, "I have some work that has to be cleaned up, and I probably cannot get there until the first of March."

II DEPARTMENT MANAGEMENT AND POLICY

Risk Taking and Decision Making in the Civil Service System

Lage: Let's see if we can move into questions of management and policy. This is an area that the government documentation project at the Oral History Office is particularly concerned about--how the departments in the Reagan administration functioned. They have interviewed, and other people have interviewed, a lot of the governor's office people and agency secretaries. But we want to gather information on how the department heads function as part of an agency and in relation to the governor's office. So we are going to get some of these things, I hope.

Mott: Well, of course, I had known Mr. Livermore or known of him, and we had a very simpatico relationship. His thoughts and my thoughts were generally on the same wave length.

I had the feeling that civil servants, for the most part, did not make decisions. And one of the things that I took on was to say to the civil service employees, "When you get all the facts, make a decision." I call this a calculated-risk decision. "Sometimes you are going to be wrong, but I am not going to cause you any problems if you make the wrong decision--just do not make the wrong decision twice."

Lage: You had the sense that they were afraid to stick their necks out.

Mott: Yes, that's right.

Lage: They were used to bringing everything up to the director?

Mott: That is right, and not thinking creatively. I have the general feeling that unless you make decisions, you cannot think creatively. In other words, if you stall on making tough decisions you cannot

Mott: think creatively, so one of the things I wanted to teach the civil service employees was to think creatively by making what I call calculated-risk decisions.

It took almost two and a half years to get this point across and to get them to make decisions because they were still afraid that if they made the wrong decision, or they made a decision that was not pleasant for me, that they would be downgraded or put in an inferior job or something of that sort. And this is typical in civil service.

Lage: I think of civil service jobs as being more secure. You would think they would be more willing to take the risk.

Mott: Yes, but in security you tend to lose your creativity. And creativity is what is important in order to keep up with the changing conditions in the world. If you do not think creatively, you are going to be operating in a jet age with horse-and-buggy thinking.

Lage: Was it a difficult idea, or procedure, to get across?

Mott: It was difficult because they were not sure that I meant what I said. You see, in the political world, sometimes you say something and it doesn't mean what you say. And, of course, being an appointee of the governor, I was considered in their eyes to be a politician.

I was not a civil service employee. Although all my life I have dealt with civil service, I have never been a civil service employee.

Lage: But you certainly have the experience with civil service.

Mott: That is right. So they looked at me in that light, and I had to convince them that I was not a politician, that I was a professional park administrator, and that was my only interest. I wasn't interested in the job being a stepping stone to some political position of one kind or another.

They tested me on a number of different situations to see whether I really meant what I said.

Hiring Rangers to Manage People as well as Resources

Lage: Could you give an example of how something worked out?

Mott: Yes, I can give you a specific example, an example that also indicates the backing that I received from the governor.

Mott: After reviewing the situation, I concluded that the department was staffed primarily with individuals from wildlife or resource management schools. I felt that this was not really a balanced team of personnel since we were dealing with people as well as the resources. I felt that, since we were involved with historic restoration and so forth, the examination for rangers in the state park system should be opened up not to just wildlife managers or resource managers, but should be opened up to historians and archaeologists and sociologists and psychologists--because we were dealing with people and a lot of our problems dealt with people, not with management of the resources. When I suggested this, the staff, the top management of the department, questioned me because they were either wildlife managers or resource managers themselves. After a few discussions on this subject they began to see the logic of my recommendation. They said, "Yes, we think that is a good idea, but you should take the initiative on this." And I said, "All right. You support me on this concept now, so I will go before the civil service commission and open up the ranger examination to historians, archaeologists, sociologists, psychologists and so forth."

I went to the Civil Service Commission with this concept. The civil service employees association went to the commission and objected to this concept. I came back after meeting with the Civil Service Commission and told my staff this, and I said, "Now, I am not getting support from the civil service employees association. They do not support this, and I have a feeling that the commission is going to turn it down. I need your support so that I can go back and say that the staff agrees with this program." They said, "Yes, we will support you, if you take the matter up."

Then I went to the governor. I told the governor that I was having a problem in this regard, and I would like him to speak to the commission, because he had appointed some of the commissioners, and explain to them why I wanted to do this and the importance of it. He agreed with me, and he did go to the commission.

Lage: He went personally.

Mott: He went personally to the commission, I suppose by telephone, although maybe he called them into the office. I don't know. But when I went before the commission, in spite of the civil service employees being opposed, they supported me. And we opened up the examination.

The First Women Rangers

Mott: After I had accomplished this I concluded that a lot of the work we were doing in the state parks system would be better achieved if we had women rangers. Again, we had the same kind of a discussion, only it was more difficult this time because there had never been women rangers. There were all kinds of reasons why the idea would not work. Again the governor supported me, and we got it through the commission. For the first time the examination was opened for women to take the ranger examination.

This set a precedent, not only in the state park system, but the National Park Service followed, BLM [Bureau of Land Management], and other organizations. The women rangers are now recognized and accepted, and they do a fantastic job.

Lage: And that was early on. That was before you were getting pressures from the women's movement.

Mott: That is right. And I mention this because a lot of people say, "I wonder if the governor recognizes women." If it had not been for his support I would not have gotten that program through the Civil Service Commission.

Lage: Was the Civil Service Commission again reluctant to do that?

Mott: Absolutely.

Lage: What was their thinking? Do you know?

Mott: Their feeling was that women could not handle the job.

Lage: And what was Reagan's response? Was he eager to support you, or did he see it philosophically?

Mott: He said, "If you think that is the way we ought to go, and you feel it will balance your program and do a better job of serving the public, I will support you."

Weapons and Police Training for Rangers

Mott: The other conflict that is similar to this, in which the governor did not become involved, was the question of whether rangers should carry side arms or not--whether the rangers should become peace officers. This was an internal situation in which there was a great

Mott: deal of discussion within the Parks and Recreation Department for and against this. I finally got everybody to agree that we should try this only in certain isolated areas where we were having really difficult problems in dealing with the public. I said it is not only dealing with the public; it is for the protection of the rangers themselves that I am concerned.

So we tried it at a few places like Huntington Beach and some of the other beach parks--Carlsbad, as I remember, San Diego coast and so forth--to see what effect this would have on the ranger who is supposed to be a friendly and helpful person toward the public. Would carrying a gun make him or her a more aggressive individual?

We tried it; it seemed to be working all right. We then decided to go full-blown rather than select certain hot spots for rangers with side arms; which would make it look like we were putting pressure on those areas. So we went for the total program, and we got approval for all rangers to be peace officers. They then went to police officers training school in order to qualify as peace officers.

When I saw the kind of training that they were getting at the police academies, I felt that we should have our own training program stressing public relations. The rangers were coming to me and saying, "Look, we do not want to be cops. We just want to protect the public and protect ourselves, know the law and carry side arms." They were not dealing with hardened criminals. They were dealing with people whose only crime was breaking rules and regulations of the park department. They had on occasions some serious problems, but ninety-nine percent of the people came to the parks for a good time.

So we set up our own training program at Asilomar. Our rangers are trained in police work, and they get the same training as peace officers but with emphasis on public relations rather than enforcement.

You remember when they had the big confrontation in Yosemite National Park, and there was a lot of agitation. We did not have a single problem in the state park system because our rangers were trained, and they understood their job, and they knew how to handle the public and to handle the public in a way that eliminated mob violence and that sort of thing.

Lage: In these examples you have told me I have not seen an instance of the civil service coming up with a new idea.

Mott: I don't think they did.

Lage: But they were open to accept some of these changes.

Combining the Parks Commission and the Recreation Commission

Lage: Did they see the reorganization you put through as sort of a threatening situation?

Mott: No, that was primarily a problem in dealing with the people who had been appointed to the recreation commission and those who had been appointed to the park commission. Their appointments were threatened. I moved in on combining the two commissions right away because I felt I needed to do it right away; if I let it drag, pressure would build up and it probably would not happen.

Lage: Was it a politically touchy issue?

Mott: Yes, that's right. We were able to get the legislation through. There was agitation on who was going to be selected from the recreation commission to serve on the park commission and who on the park commission would not serve.

This was a very sensitive situation, not necessarily dealing with politics, but dealing with the individuals on each of the commissions. The recreation commission felt that they were going to be swallowed up by the long-standing older park commission.

We were able to bring this about and bring the two together harmoniously and without a great deal of difficulty and agitation.

Lage: How are they appointed?

Mott: By the governor.

Lage: But they were not newly appointed by the new governor?

Mott: I do not remember exactly the details. It seems to me that the governor at that time had some appointments coming up from both the park and the recreation commission. When you combine the two, obviously there were going to be people that were not going to be reappointed, and there were going to be new people appointed. The question was who was going to be selected from these two commissions to serve on the new commission.

Lage: Did you get to put your word in on the selection?

Mott: No, I did not become involved in who was going to be on the commission. My only comments with regard to commissioners were that I wanted people on the commission with integrity and who were well thought of in the state of California for their interest in either the environment or parks and recreation specifically.

Lage: So, you wanted them to have some background.

Mott: Right. I did not get involved in the appointment process, or who should be appointed, or anything else.

Lage: Did you in the future?

Mott: No, that was an area that I kept completely out of because I had to deal with these people and work with them as commissioners. I felt that I should not become involved in who should be there, other than that I wanted people of integrity and stature.

Working with the Parks and Recreation Commission

Lage: How did that relationship go--your relationship with the Parks and Recreation Commission? It seems that is kind of a confused line of command.

Mott: The Parks and Recreation Commission is, of course, a policy-forming commission. They are not an administrative commission. I had no conflict in that area. I was sometimes told by some commissioners that I was a little too aggressive and too domineering and too direct so that I was influencing the commission on making decisions more than I should.

The other direction is to sit back and let the commission try to do this. Now, these are all lay people with all kinds of interests, who come to the commission once a month. My feeling was that unless the director provided some direction with specific recommendations the commission would not be well informed. I would say, "I believe this is the project that we ought to take on, and these are my recommendations."

They could accept or reject my recommendation and turn down the project. I did not say to them, "Here is a project, and maybe you should approve it," or "I am not sure whether this is good or bad," or something like that. I always said exactly how I felt about a project or about a policy.

Lage: Did they feel free to disagree and vote it down?

Mott: Yes, and they did occasionally.

Lage: And you would follow through on their policy.

Mott: Sure. That's right.

Lage: Who would prepare the agenda for their meetings?

Mott: I would.

Lage: Would they submit agenda items?

Mott: Sure, through the chairman. I made it a rule right from the very beginning that I did not want to talk to individual commissioners. I would talk to committees of the commission, but any commissioner who had any problems or anything that they wanted to take up was to take it up through the chairman, and I would then discuss it with the chairman. If I started talking to individual commissioners, then you pit commissioner against commissioner.

Lage: Did that differ, or was it a similar situation to your relationship with the board of the East Bay Regional Parks District?

Mott: Right.

Lage: It was pretty similar?

Mott: I said to Dr. Sproul, "If anybody has any complaints or any comments or anything else they should take the matter up with you, and I will deal with you."

Lage: The policy-setting role was similar?

Mott: Yes, that's right.

Lage: So you had had experience with this.

Mott: That's right. And the same was true when commissioners were in the field. I warned all of our personnel. I said, "When a commissioner is in the field, answer any questions that they ask you. But do not try to influence them on your specific point of view because it will only come back to me."

Lage: That would be a temptation.

Mott: That's right. And I warned the commissioners on the same basis. I said, "Do not go into the field and hear one person say, 'Well, this is wrong. I am not getting this support. I do not get the money I need,' et cetera, because you are only getting one side of the story. Listen to them, and then you can go through the president, and I will give you all the background information, and you may find that what the field person is telling you is not exactly what the story is all about, if you look at the total picture."

Lage: Did you find the commissioners were well informed?

Mott: We had excellent commissioners.

Lage: Did anybody stand out, in your mind?

Mott: Well, one who really stood out was Harold Zellerbach, who was a businessman and a very forthright and very direct person. The other commissioner was Margaret Owings. Margaret Owings was an environmentalist, and frequently Margaret Owings and Harold Zellerbach did not agree. They debated points very strongly. They were very strong personalities. But whatever the decision was, it was accepted, and we moved forward.

There were others: Ms. [Leah] McConnell, who came from the Recreation Commission, was an excellent commissioner. She understood the program from the point of view of recreation as well as parks. There was Danny Villanueva, who was a place kicker for one of the professional football teams, who represented the Spanish-speaking people in California--an excellent commissioner.

It was a well-balanced commission at all times with all kinds of interests, and yet they made decisions in the public interest.

Lage: I ran across one instance where there seemed to be some disagreement, perhaps, with your point of view. I think this was noted in California Journal. They had a couple of articles on the state parks. They mentioned an instance where two commissioners tried to put forth a policy for less intense development of the state parks. It passed, and then in the next meeting it was reversed. Do you recall that?

Mott: Yes. We had a commissioner that I respected, by the name of Ian McMillan, who was a very strong conservationist. He had done a great deal of work in connection with the California condor. His feeling was that parks should be basically natural open space. He was very, very strong in this opinion, sometimes to the point where it was in conflict with all the other commissioners and their points of view and sometimes in connection with recommendations that I was making. Nevertheless, he was a very sincere and a very good commissioner.

Sometimes a subject will come up in a meeting, and the commissioners will take some action without really getting all the facts and information together. That is why you may find at the next meeting a reversal, because they have more facts.

At the time we were debating the whole question of the off-road vehicle, which was a very controversial subject. It was my feeling that these people were paying gas tax and the use of off-road vehicles was their recreation. Why shouldn't we provide them

Mott: with facilities for their off-road vehicle activities? Then we could say, "Use those facilities and stay out of other parks that we are trying to preserve." This was a subject that was very emotional, and the Sierra Club felt that because I was promoting this idea, I was selling environmentalists down the river.

When we finally got people to understand what we were trying to do, and we got special legislation which gave us money from a special off-road vehicle tax, and we established off-road vehicle use areas (there are now about six or seven in California, one of the few states that has them), people began to see how this prevented the destruction of the parks that we were trying to preserve, like Big Basin, Point Lobos and those areas.

We could then say to the off-road vehicle people, "You now have your areas where you can do your thing. Do not do it in the state parks." We then began to think about developing a new classification system to include state recreation areas, state wilderness, state off-road vehicle use areas, state beaches, state historic parks, and so forth. That whole new classification concept came into being by legislative action. And it has worked.

Now people are saying "Gee, that was a great concept." But, at the time, it was a very, very difficult concept because people could not really believe that we should, as a park department, recognize the off-road vehicle people, who were at that time doing a lot of destruction. They were just going everywhere.

Lage: It makes sense. And yet, I can see how people were a little appalled also.

Mott: Oh, yes.

Resistance to Change: Toilets and Garbage Cans##

Mott: One of the things that I found difficult at all levels of government was to effect change. Even if it is good, it is hard to get people to agree to change. Let me just give you one example. Going back and forth across the country, I noticed that on the 747s the toilets are not men and women toilets. They are either occupied, or they are not occupied. So I came back to our staff, and I said, "Why are we building men toilets and women toilets in the state park system and in every park system?" I said, "It does not make any sense to me. We are wasting a lot of valuable finite materials, plus the fact that I don't think that it is a good idea. Let's try designing a unisex toilet with exterior doors, individual compartments; they are either occupied or they are not occupied."

Mott: I argued with the staff for, I think, two months. They kept saying, "It is not going to work. You cannot make that kind of a change. It is going to be embarrassing to women. It is going to do this; it is going to do that," so forth and so on. Finally, I said, "Let's just try it once. Let's try it at the recreation area down in Riverside." We were just developing the Silverwood State Recreation Area there.

They said, "All right, let's try it. We'll see how it works." So we designed a unisex toilet. Then the state health department said, "You can't build that kind of a building because the code says you have to have men and women toilet buildings." I said, "That's right. We've got men and women toilets. They're either occupied, or they're not occupied. The code does not say individual men buildings and women buildings. It says men and women toilets."

I then went to the governor on this subject: I said, "You know, governor, I would like to do this. It makes sense to me." I gave the example of the 747. He said, "Yes, that sounds like a good idea. Let's see what we can do about it." So he talked to the health department, and they said, "Well, we'll let you try it."

Then Riverside County wouldn't let us build the building. Now, we don't have to conform to the local codes as long as we conform to the state codes. But we always try to conform to county regulations. Finally, after arguing with them awhile, they said, "Well, we'll let you try it." And we built the toilet.

Lage: Now, was this one building with several stalls?

Mott: Yes. Individual, exterior door stalls.

Lage: So you have a separate entrance.

Mott: Yes, that's right, for each stall. There was a lot of comment in the newspapers about how I was corrupting the morals. A lot of stuff like that. We built it. There were no complaints. We saved thirty percent on raw materials. We cut our maintenance costs by twenty percent. The toilets were kept cleaner than they ever had been before, and there were no longer lines like there are at the women's toilets. Everybody was happy about the whole thing.

We built it; it worked. There were no questions. There have been very few such toilets built since. I noticed about a year ago there was an article in the paper indicating that the Forest Service was going to build some unisex toilets, saying that this was an idea that should improve the toilet situation.

Lage: That's an interesting way of showing how Governor Reagan got involved.

Mott: And how it is difficult to make change. We had the same situation at Sugar Pine Point State Park when I said, "Why do we have to have a garbage can at every campsite? That's a throwback to designing a house. You always have a garbage can at each house. So the designer said, 'At each campsite we ought to have a garbage can.'"

I said, "Why don't we have gondolas at the toilet buildings? Everybody comes to the toilet. Let them bring their garbage and dump it in the gondola, instead of having it at the campsite where raccoons knock over the garbage cans. Plus, when you hire kids during the summertime, what do they do? Wash garbage cans." I said, "Why don't we use them for interpretive purposes, which is more constructive than washing garbage cans? Besides, we are using up finite material in the garbage cans." Our planners finally agreed to try this idea at Sugar Pine Point at the new campground we were developing. We told people that there were no garbage cans at the campsite and that they would have to put their garbage in the gondolas at the toilet building.

It worked. And they kept their campsites cleaner, when everybody had said that it was not going to work.

The other plus that we got out of this idea was that when Mrs. Smith came to dump her garbage and Mrs. Jones in the campsite right next door came to dump her garbage, apparently doing this mundane thing was like hanging up clothes and talking over the back fence. They started talking to each other. And then we found that they were going on hikes together; they were going to campfires together and so forth, which never happened before, because people in campsites next to each other do not talk to each other. It is just like in an apartment in the city. So we got a social benefit out of this plan that we did not anticipate. And it worked.

Lage: How did you get your feedback on this social part. Do the rangers observe?

Mott: Yes. Right.

Departmental Reorganization: Emphasis on Public Relations and Interpretation

Lage: We talked a little bit about your reorganization. You did more than reorganize the commission; you reorganized the entire department.

Mott: That's right.

Lage: And, as I read about that, it seemed like it was extraordinarily fast. You went in there and redesigned it. How did you develop your ideas? Did you have input from within the department?

Mott: Some, but not very much. When I went to the regional parks, of course, I had to reorganize the regional parks. I have a very strong feeling that a department needs a good fiscal division. A department also needs good public relations and public information and interpretation. It also needs a good organization within the operational division.

When I went to Sacramento, I saw that there was not this kind of organization and that interpretive work was being done by having teachers come in in the summertime. Some of them were just using this as a nice vacation; some of them were very good. I got in trouble with the teacher's association because I said, "We're not going to have any more summertime teachers; we're going to have permanent people doing interpretation, telling the story about the resources in the state park system."

This is very important. To get the support of the public we needed good public relations and information. And public relations is difficult at the government level because everybody assumes that if you have a public relations department, it is to build up your own image rather than to inform and provide information to the public.

I wanted people to understand what the park system was all about, and by knowing about the park system and what we were trying to accomplish, they would give us greater support. It worked. We never lost a bond issue, and that was because we had a good public relations program and a good interpretive program.

That basic organization was the same as the one I developed in the Oakland parks system, and it was successful. I started with it in the regional parks, and it was successful, so I just brought the same concepts to the state park system.

Lage: And you got it through the legislature and everything else?

Mott: That's right. Of course, they did not ask about the details. It was just legislation authorizing me to do the reorganization.

Lage: Did you have deputies you brought in with you, or were you dealing mainly with the civil service?

Mott: No, we had deputies. I was allowed three deputies.

Lage: Who did you bring in?

Mott: I brought Bob Meyer to do the liaison with the legislature, and he was fantastic. He never lost a bill. Ray Hunter was in charge of development.

Lage: Did he go on to--

Mott: Ray Hunter, then, moved out of the department and went to veteran's affairs, I think, or was it natural resources?

Lage: Was it forestry?

Mott: No. He went to one of them [director, Department of Conservation, 1973-74]. Frank Nichol was another deputy. He handled--

Lage: Were these people you knew of and picked yourself, or had they been recommended by the governor's office?

Mott: Some of them I knew. Some of them had been recommended to me. I had to interview different people for the jobs and so forth.

Lage: Is it difficult at all when a new top person comes in to kind of get control of a department that is an on-going institution in itself?

Mott: Yes, it is. Sure. It is, again, this whole concept of change and the idea of change. It is difficult for people to accept. And civil servants because they have security really resist change.

Lage: But did it take you long to feel that you were really on top of things?

Mott: Well, I would say I felt comfortable after about two years that everybody was thinking creatively and moving forward effectively.

Lage: And did you notice a difference in the way people approached their work?

Mott: Sure. I have had some of the people come to me now and say, "We really hated the way you operated, but now we would like to have the same kind of operation again."

Lage: So they were threatened initially.

Mott: Yes. Sure. As I remember in the reorganization, in shifting people around and so forth within the limits that I could do under civil service regulations, as high as sixty-five percent of the personnel were shifted or moved from one job to another or one position to another or from one location to another.

Lage: That probably created some unhappiness.

Mott: Sure. But then when things settled down, they saw that they could be more creative and they could do their job. Decisions were made and projects moved forward more rapidly.

I initiated a little contest because I noticed that the department was sort of self-centered. Personnel did not think they had to deal with the community. When I was out in the field--I spent a lot of time in the field--I would ask the rangers, "Who is the county supervisor for this area? Who is the city councilman for this area? Who is the state senator and who is the assemblyman?" They did not know. "Who is the head of the newspaper that is published in this area?" They did not know. "Are you active in Boy Scouts or any community activity?" The answer was generally no.

So I set up a little program after reorganizing the department, and I asked each of the superintendents of the four districts, "Okay, I want you to write at least two news articles. I want you to deliver them to the newspaper. I want you to give at least one interpretive talk to one of the high schools in your area. I want you to give an interpretive talk to one of the grammar schools. I want you to invite the supervisor for your district to come to the park and show him around. A whole series of things like that. The whole idea was developed as a contest. They were to make a book and document all of their accomplishments. The superintendent who did the best job was to receive an award. It was a pennant that they could fly in their area. Just a simple little thing.

Well, they began to find out that it was a lot of fun to become involved in the community, become involved in Community Chest, the Red Cross, the Boy Scouts, or what have you. And it was interesting to talk to the supervisors and to talk to councilmen and senators and so forth and so on.

Lage: Would that filter up to the legislature?

Mott: Sure. And I think that it helped us in our bond issue. When we were passing bond issues, I took the time to go to every single board of supervisors in the state and talk to them about the state parks. Many of them said to me that it was the first time any state official at my level had ever come to their board meeting.

And I would go to all the little local newspapers. There are something like ninety-two little local newspapers in the Los Angeles metropolitan area. I went and spoke to those editors, and I got the same reception. "This is the first time anybody has come and talked to us." And so that is how we built good will and good public relations, and it helped us to pass bond issues and got everything going. It is another reason why we never lost a bill in the legislature. Plus the fact that Bob was a very skilled person--Bob Meyer.

III THE PARKS DEPARTMENT, THE REAGAN ADMINISTRATION, AND THE LEGISLATURE

Cooperation with the Department of Water Resources

Lage: You have mentioned mainly going right to Reagan with some of these issues. Did you go through Livermore also?

Mott: Yes, he was the secretary of Resources. I would say to Ike, "This is my position. Do I have your approval to go and talk directly to the governor?" Now, in some issues that involved other departments--Fish and Game, sometimes, or Water Resources, for example, when we were having some problems in connection with building of dams--I would talk to Ike about that, and he would resolve the matter, or we would go together and talk to the governor about it.

Lage: How about giving me an example of some of these interdepartmental things? Those are things that are not too well documented.

Mott: The state was building the Perris Reservoir, the last reservoir of the water plan. We suggested that in building the earthen dam, instead of just digging a hole, why didn't we plan and build this project cooperatively? "We'll design the beach for the park and the marina, and you can then use the dirt so that when we get through the beach and marina will be graded, and you will have built the dam with the material from the grading operation. Let's not just do the work like you have in other reservoirs--just dig a big hole out in the middle of the proposed lake bed and cause us to build the recreation facilities later."

Lage: Were you working with the state Department of Water Resources on this?

Mott: Water Resources, yes. Bill Gianelli. At first they said, "Well, this may cost us a little more to do it that way." I said, "Yes, but in the long run, it is going to be less expensive to the

Mott: general public because you are going to be doing the grading that we are going to have to do anyway. At the same time, you will be doing the total grading and dam building. It may cost a little more and it may not. I am not sure that it is going to cost more. But, in the long run, everybody is going to benefit."

We finally got that point across, and that was the only reservoir in which that was done. We ended up with a mile-long beach all graded and ready to start development and put the sand in and the lawns and all the rest of it. It was all done as part of a total integrated plan, instead of Water Resources planning a reservoir and forgetting about everything else.

Lage: And then your having to pick up the pieces.

Mott: We have to pick up the pieces, to make it a recreation area.

Lage: Was this a major conflict that Livermore had to step in and resolve?

Mott: Well, no. I would not say it was a major conflict. There was a question about cost, but when we sat down--Gianelli and Ike Livermore and myself--and discussed this, it was agreed that we should go forward. This was a much sounder plan than had been the practice on the other reservoirs.

A Strong Stand against the Dos Rios Project

Lage: How about the Dos Rios dam, as long as we are talking about these three individuals?

Mott: We got directly involved in Dos Rios reservoir because the Army Corps of Engineers had justified the Dos Rios reservoir on the basis of its recreational use. They developed their cost/benefit ratio by indicating how much recreation is going to be there, multiplying that by a factor of three or whatever it is, and this was the dollars that balanced the expense and made it seem feasible from a cost ratio point of view.

Our department looked into the project and felt that, as a matter of fact, there was not a need for recreation in that area. We were developing recreation at Clear Lake and a few other areas, and the need for water-oriented recreation in this part of California was covered for twenty-five years, as far as we could tell. Their figures were phony figures in order to balance the budget and had nothing to do with the recreation needs in that area. The cost ratio

Mott: was way out of line. It was not a cost ratio that was balanced. It was way off, plus the fact that it would displace some Indians that lived there, and the reservoir would eliminate some very fine agricultural land.

The Dos Rios dam was a very sharp conflict between the Army Corps of Engineers and the Department of Water Resources on the one side, and the park department on the other. Normally park departments are thought of as not being very important, but in this particular situation recreation benefits were important.

The other concern that was back of this project was that they needed the Dos Rios dam in order to have the supply of water that was needed to fulfill the terms of the contract with the Los Angeles Metropolitan Water District. The state was short 500,000 acre-feet of water, and the Dos Rios dam was needed in order to provide the water. And that is why there is all this hassle on the water plan, because they are out of sync on this whole matter.

I remember the cabinet meeting very well. For several months the public, led by the environmentalists that were coming into power at that time, had been debating the subject in very emotional terms. We went into the cabinet meeting to decide the matter under these conditions. The governor was sitting at the end table, and those departments in attendance each presented their point of view. I presented the point of view of the park department, and I called the shots on the cost/benefit ratio indicating that the figures were unrealistic and that they did not stack up with information that we had. I put it all together, concluding by asking why destroy good agricultural land for this purpose when there were other dam sites possible. And, secondly, that the reservoir would create a very strong emotional problem by displacing the Indians that lived in Round Valley. Then I sat down.

The others all made their case: the Water Resources people, and the Metropolitan Water Company from Los Angeles, and Fish and Game, and a few others. Everybody else was on the side of building the dam.

Lage: They were all present at this meeting.

Mott: Yes, and when we got all through our discussion, the governor sat back, asked a few questions, and then after some time of not saying anything he said, "We are not going to build the Dos Rios dam," period, and left the room. And he stuck by his word.

Now that's the reason that I support Governor Reagan. He listens to the facts and makes the decision. That was not a popular decision. That was not a popular decision for those who wanted the

Mott: dam. The Metropolitan Water District at that time probably had the strongest lobby of any organization in Sacramento so the decision came as a blow to them.

Lage: But there was a pretty strong conservation input.

Mott: That's right.

Lage: He was getting some feedback from them.

Mott: That's right. But he continued to support cancelling what was an infeasible project. He agreed with our contention and ours was a conservation and an environmental presentation.

At that time, this was a highly charged, highly emotional situation.

Lage: That's good. I talked to Ike Livermore about this. His memory was not as clear of that actual meeting.

Mott: I think Ike was in the middle because he had Water Resources and Fish and Game and all the other departments in the Resources Agency supporting Dos Rios. Yet he favored our approach and the arguments of the conservationists. My recollection is that he did not say very much at that meeting, but when I talked with him, he tended to agree with our point of view.

Lage: Oh, he definitely did. As he told me, he lobbied the governor for that position extensively. He believed in it.

Controversy over Development at Point Mugu

Lage: As sort of a case study of how all this functioned, let's look at Point Mugu. That was a nice controversial issue. There you were dealing with the legislature.

Mott: Here, again, there was a very strong environmental lobby down in the Los Angeles area that felt that the department's plans for developing Point Mugu were wrong. And, of course, they blew everything all out of proportion. We were trying to develop Point Mugu as a recreational area to take the pressure off the other areas and provide a recreation resource for the people in the whole metropolitan Los Angeles area.

We designed the recreation area very carefully to preserve what we felt were the outstanding natural resources in Sycamore Canyon. The bowl we designed as a golf course, we did specifically because

Mott: golf is a good and popular recreational facility. But we did it not so much for a golf course as we did it to have greenery there year around as a firebreak, to prevent fire from destroying the natural resources in Sycamore Canyon. That was the whole concept. It would be a green area even in the summertime. It would be open space, and it would provide a recreational resource and preserve what we felt was the most important resource; that was the Sycamore Canyon with the native sycamores and the native ash.

The other controversial idea was that against the cliffs along the beach, we suggested a motel complex that was designed to fit into the slope to retain the cliff area so that it would not continue to erode. It was another concept to provide an opportunity for people to come there and stay and be able to use and enjoy the beach.

Many people do not have campers and do not have tents but would like to have a place to stay in a state park. We could make this a facility that would provide accommodations and make some money for the department and, at the same time, provide a balance. Not everybody wants to go camping in a camper car or tent. We wanted to provide another type of facility for the public to come and stay at in a state park or recreation area.

The only state park in California that has cabins is at Pfeiffer Big Sur State Park and they are used all the time.

State parks in other states have cabins. And if cabins are designed correctly, they probably do less harm to the landscape than traditional campgrounds and the associated automobiles moving all over the place. At that time, we were talking about limiting the number of automobiles in the park, feeling that people could come by bus, stay overnight, use the beach, et cetera.

We got shot down on that. About eight or nine years ago there was a bad fire at Point Mugu, and it wiped out the whole area--just exactly what we said was going to happen. If that golf course had been there, it would not have happened. But we lost the battle.

Lage: How did this go in terms of getting support from Livermore? Did you go to the governor or to Livermore?

Mott: I did not involve the governor in this at all. I did involve Ike, and he supported our concept. But the conservationists down there were very, very vocal. They were very, very difficult to deal with. They would not listen to anything other than their own point of view.

Lage: Did they make their point strongly to the legislature?

Mott: Yes, and they had the legislature supporting them. We couldn't at that time counteract their legislative support.

Lage: When you would go to the legislature--which I guess you did on this issue--

Mott: Yes.

Lage: Would your testimony be cleared by anyone beforehand, or were you on your own?

Mott: I was on my own.

Lage: And also your lobbyists?

Mott: Right. Bob Meyer was our liaison with the legislature. He was not in the true sense a lobbyist. It has always disturbed me that the few so-called environmentalists did not really consider the public. They did not consider all of the factors, the fire and so forth and so on. Of course, after the fire, I could say, "I told you so." But it was unfortunate. I am concerned about the same group of lobbyists, who really double-crossed us relative to the Santa Monica Mountains. The department now has 90,000 acres in the Santa Monica Mountains preserved as state parks for the people of Los Angeles metropolitan area. They did not have a regional park such as the East Bay Regional Park District so the state had to provide the open space.

After the state spent millions purchasing the land these people went and lobbied for a national park in the Santa Monica Mountains. The national park has 9000 acres. A duplication of effort, a duplication of funding and everything else, because of their special interest, not the public's interest. And I have always been of the feeling that they were motivated no so much by their own environmental concern as they were to protect some of the special interests that have marvelous homes and so forth in the Santa Monica area.

Lage: How many acres does the state have?

Mott: 90,000.

Lage: And the federal government 9000? Now who are "they"? I mean, the environmental interests that you referred to.

Mott: Down in the Los Angeles area.

Lage: Were they particular groups?

Mott: It was a small group organized by one or two very vocal individuals, lacking in my mind a real responsibility for the public's interest.

Lage: Can you point to them as being people who live in this area?

Mott: Yes.

Lage: And they have interests to be protected? So that may be a case of the elitist environmentalists that we hear about?

Mott: Right, absolutely. I think it is unfortunate because Point Mugu could have been a marvelous recreational resource for the people of Los Angeles metropolitan area without destroying any of the natural values. But they wouldn't listen. And they wouldn't listen to the concept of preventing fire from going into the areas that should be protected. They would not listen to the idea that instead of the federal government spending the money they did in the Santa Monica Mountains, making that money available to the state via the Land and Water Conservation Fund, and letting the state run the whole show.

Why have this duplication of effort? As a taxpayer, I'm really upset about this because it is costing me money for this unnecessary duplication of effort. I believe these individuals got a kick out of being able to accomplish something like this, as an ego trip, without considering the public's interest.

Lage: Would you yourself get involved in designing an individual park, at Point Mugu for instance?

Mott: Yes, absolutely. I am a landscape architect.

Lage: I know. It sounded like a great creative design.

Mott: I would sit in with the planners and discuss it and so forth. Sure.

Lage: And was the motel affair designed also as a retaining wall?

Mott: Yes. You see, if you've been down there, there are sand dunes in that area. It is a constantly eroding area. The concept was to build a motel complex that would stagger up the hill and stop the erosion, and it would also provide an additional opportunity for people to use the beach frontage and the park without having to drive there.

I suspect that if we had come up with that design at the time we had the gasoline shortage, everybody would have agreed to it because you could come by bus. The bus would stop right there at Point Mugu, and you could have a summer vacation without using your

Mott: automobile. You could do everything you wanted to. We had the same concept of taking people from the Bay Area to Lake Oroville, and you would not have to drive. You could get off the train at Oroville, and we would have a bus there to pick you up and take you to Lake Oroville Recreation Area.

Lage: Is that in existence now?

Mott: Well, it can be. Just like we had the program that we initiated of taking kids by train from Los Angeles down to San Onofre State Beach, dropping them off there and then when the train came back from San Diego, picking them up and taking them back to Los Angeles. Why do you have to drive to all of these places?

If gasoline gets to be two or three dollars a gallon these concepts will then be accepted.

Lage: Right now, we're wedded to our cars.

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Mott: Yes. [laughs] I think the Point Mugu concept was just a little too far ahead of everybody.

Philosophical Agreement with Governor Reagan

Lage: Were there other people within the Resources Agency that you dealt with, such as Ford B. Ford or any others?

Mott: Yes, we dealt with Ford B. Ford and Ray Arnett, the head of Fish and Game, and Bill Gianelli, the head of Water Resources.

Lage: And in the governor's office, was there a particular individual that you may have gone to?

Mott: Ed Meese, sometimes.

Lage: I have heard it said that Michael Deaver had an environmental interest.

Mott: Michael Deaver. Right.

Lage: Do you recall any showing of his interest?

Mott: No, not particularly. I did not have too many dealings directly with people in the governor's office other than the incidents that I've mentioned to you.

Lage: Governor Reagan's pledge that he would take care of the politics-- did that continue throughout your time there?

Mott: Absolutely.

Lage: Did you find yourself philosophically in tune with Governor Reagan? What I am thinking of is that I came across a recreation policy for California that was developed during your time in a nice little booklet put out enunciating the policy. And it seemed very much in tune with Reagan's ideas: cooperating with the private sector, cooperating with local government, using concessionaires as much as possible. Was this because you were philosophically in tune with Reagan?

Mott: Yes.

Lage: Or was there any direction from above on things like this?

Mott: No, that is because I feel that way.

Lage: He picked the right man.

Mott: Right. We are coming back to that concept now, in the review of the ORRRC report that I have been working on with Laurance Rockefeller. We are right back where we started.

Lage: The ORRRC report?

Mott: Outdoor Recreation Resources Review Commission. The ORRRC report is the bible that everybody in parks and recreation uses. It was that report that brought into being the Land and Water Conservation Fund, the Clean Water Act, the National Trails Act, the Wilderness Act and the Clean Air Act.

Lage: You say that you are dealing with these same issues now?

Mott: We are making an assessment of that report because the sociological, philosophical, political, economic conditions are so different today than they were back in 1962 that we feel the report has to be reviewed and brought up to date for the next twenty years.

It was supposed to be good for forty years, but with all the changes that have taken place--the fact that there has been a great increase in the number of single parent families, the large number of immigrants and refugees coming into this country, the changing and shifting of the population, the changing economics, et cetera.

Lage: The energy crisis, I would guess.

Mott: The energy crisis. All of these things were not thought of in those days. I think the emphasis is on development to meet new recreation demands rather than buying land. We still need to buy land, but I do not think it is as important as it was in '62 when we needed to get the land so that we could have parks. Now we need to develop that land and utilize it.

Working for an Adequate Parks Budget

Lage: That brings us to the next topic: working out the department budget, working with the department of finance, and what efforts you made to push for the kind of money that the state parks needed. When you went to Sacramento, Reagan had pledged to cut government spending, and your plan for the parks seemed to involve a sizable amount of money.

Mott: Well, when we were told to reduce our budget we did reduce our budget. But we also brought new techniques and new concepts into the department--using chain saws instead of hand saws and equipment instead of hand labor and so forth. We became more efficient in doing what we were supposed to do. I felt that if we could spend the money on developing areas for the public, rather than building up personnel, that that was a better approach.

If you get people motivated, instead of getting four hours worth of work you get eight hours worth of work. I think we had a very, very efficient operation. In fact, I spoke to many business organizations, and I said, "I challenge your business to be any more efficient than we are in operating the State Parks and Recreation Department. We operate as a business. We are highly competitive in everything that we do. Everything we accomplish is done on a very competitive basis. We operate that way. We operate with that kind of an efficiency." So we did not add a lot of personnel, but we doubled the land acquisitions, doubled our development of campgrounds, et cetera, because the personnel in the department were motivated to do an efficient, effective job and to work hard.

I don't remember the figures, but I remember one time compiling a report for the governor on the number of man-hours of time that were contributed by our staff over and above their normal eight-hour day. And it was a tremendous number of hours because they were excited about doing their work and accomplishing objectives.

Lage: This was down to the ranger staff.

Mott: Yes, in the field. It was tremendous. And when I would go before the legislature I found, if I knew the facts and I presented the facts and I presented them sincerely and creatively and they knew that I was not interested in becoming a politician and that I did not try to deal with their politics, I just wanted to do the job-- they accepted this, and we got the money.

I could prove with facts the department's needs. I sincerely believe in parks; I think the parks are terribly important to this country for maintaining its productivity, its health, and its welfare. It is as important as any element of government. I do not think that parks should be considered secondary at all. That is the way I always presented my point of view.

Lage: Did you feel that the administration was supporting you on these issues?

Mott: Yes. Absolutely.

Lage: What about the actual preparing of a budget for the department? Was this done mainly within your department--

Mott: That is right.

Lage: Or did the department of Finance--

Mott: We made up the budget, and then we argued our budget with the finance department and committees of the legislature.

Lage: How hard did you have to argue?

Mott: We always argued that we felt our budget was more important than any other budget.

Lage: And how did they--

Mott: Well, we got our budgets.

Lage: You usually got your budget?

Mott: You are darn right.

Lage: You must have a magic way.

Mott: When I first went there we had a lot of problems with the highway department going through the redwoods. This was a highly controversial situation. The highway department, in those early days, felt that they knew all the answers. They had all the top engineers,

Mott: and a "Don't tell us how to build roads" attitude. "If our highway engineers want to go through the redwoods, we are going to go through the redwoods because that's the way to go. A straight line is the quickest way to get there."

Senator [Randolph] Collier was the dean of the Senate and head of the Finance Committee and chairman of the Highway Committee, and I had to deal with him on a number of things. And he was tough. He did his homework before he came to committee meetings. He knew what it was all about.

I did my homework, and I would say to Senator Collier, "Senator Collier, you do not have your facts correct. This is the information."

Senator Collier was the one who introduced the legislation which gave the Parks and Recreation Department some of the gas tax money based on increased recreational use of automobiles during June, July and August and the added consumption of gasoline. This added about eight or ten million dollars to the department's budget.

Nobody thought we would ever break into the gas tax fund for Parks and Recreation.

Lage: Whose idea was that to come up with that? Was that your idea?

Mott: Yes. The concept that people were buying more gasoline during the summer months because of their recreation travel was developed by my staff. And we asked the question, "Why shouldn't we get some of the gas tax money?"

Lage: Was it hard to persuade him, or did he see the logic of that?

Mott: It took some discussion and some facts and figures. But Senator Collier was that way. If you had the facts and figures, and you knew what you were talking about, he was a good man to deal with. You knew where he stood. He never backtracked.

We did have a little advantage when we took this on, in that he was thinking about running for senator on the north coast instead of from Yreka, if you remember. And so we said, "As a sidelight to this whole thing, this would be a very popular approach to win over the environmentalists and people living in the north coast area because it would provide funds for developing the redwood parks and acquire park lands along the north coast.

Lage: How did you fare with him on the highway through the redwoods?

Mott: Well, we did not do so well on that. That was all planned, and they went through some very nice redwood groves. I was too late to prevent that.

But we did stop them from going through Prairie Creek [Redwoods State Park]. I just read in the paper that they are now going to bypass Prairie Creek with a bypass road which was planned twenty-five years ago.

Lage: What about the process of trying to get the bond issue for parks? As I understand it, it was Z'berg who introduced the bond issue and Reagan vetoed putting the bond issue before the people [in 1972].

Mott: No.

Lage: The way I read it was that the first time around he vetoed it. He said it was premature. By 1974, he was willing to put it to a vote. Do you recall that?

Mott: No, I remember a '74 bond act and Governor Reagan actually went out into the field and promoted the bond act with me. I cannot remember that first bond act; Z'berg introduced the second bond act, too.

Lage: Apparently, there was a first one. I think I got this from the Engbeck book on the state parks.*

Mott: I can't remember that.

Lage: You don't recall it.

Mott: No, I don't remember the details. I do not recall that. I remember the bond act in 1974, which was a very large bond act compared to previous bond acts. I remember the governor going over to Angel Island, and going down south, and speaking on this. He came out for it and not only supported it, but came out into the field and supported it. I don't remember him vetoing the first one. If he did, I suspect there was some reason why we didn't support it, but I don't remember that. I would have to check that out. I can't remember that. I'll look up the reference and see what it says. Then I would have to find out what was in that bond act. Sometimes bond acts are poorly set up. I cannot recall that. I remember very well the '74.

*Joseph H. Engbeck, Jr., State Parks of California (Graphic Arts Center Publishing Company, 1980).

Lage: If reading that refreshes your memory you can put in a comment when you get the transcript for this. If it is something significant, you can write in the comment.

Mott: Now that you bring it to my attention, I am going to look it up.*

Criticism from Legislative Analyst Benedict

Mott: Let's turn for a minute to your dealings with the legislature. The legislative analyst seemed to be critical of Parks and Recreation.

Mott: That is right.

Lage: What was the story behind that?

Mott: I think he couldn't think big enough.

Lage: This was Post?

Mott: Not Post. We never had any trouble with Post. The legislative analyst's name was Don Benedict. I sometimes went over his head to Post. We always won out, but I had a lot of trouble with Don Benedict because he didn't think big enough. Let me give you an example. At the recreation park on the Perris reservoir in Riverside County, we planned a mile of beach, and in back of the beach (because I felt people not only like to lay around on the sand; they like to lay around on the grass), we had a landscaped area of lawn that was a mile long and three-hundred feet wide. Now, that is a big lawn area.

When we brought these plans up and asked for the money to go ahead with the development, Don Benedict said, "No! there won't be that many people using it." Secondly, he said, "That is a total waste," and he said, "Your costs are all out of line," et cetera, et cetera. And he said, "I know something about this kind of landscaping because I just put a lawn in my backyard."

*I did look up the information. You are correct. The governor did veto the bond act bill. We were still completing the water recreation work for the 1972 \$60 million bond act and I assume that may be the reason for the veto. The governor did approve the bond act bill the following spring [WPM, December 1984].

Mott: That is an exact quote. That was his problem. He couldn't see that big an area. When we opened the reservoir, the lawn was totally covered with people, blanketed with people, and it has been that way ever since. The lawn area was very, very popular.

Lage: Then you got it through.

Mott: We finally got the money, but it was a big hassle. And we had to hassle with him all the time about our budget.

Lage: Does the analyst have a great deal of influence? Does he come to the committee meetings?

Mott: Yes, but he would come to the committee hearings, and he couldn't support his criticism of our budget figures, and we would have the facts and figures. Bob Meyer, who handled our legislation, would have the facts and in most every case would convince the committee that our budget figures were correct and the money was needed. If it was a touchy matter I would go to the committee hearing, as well as Bob Meyer.

Usually it was before Senator Collier's finance committee. I have seen Senator Collier say, "Don Benedict, you don't have the facts. I am not going to listen to you any more. I approve the department request." I've seen Senator Collier at some committee hearings, when I'm sure all of the other committee members were voting no, say "All I hear is a yes vote. It's passed."

Lage: So he ended up being a supporter.

Mott: Yes. Absolutely. And he'd take on Don Benedict. That made Don Benedict even more upset with us.

Lage: Did you develop any kind of personal relationship with Senator Collier?

Mott: No, except on a professional basis. I never dealt with any of the senators except on a straight-out professional basis. And they knew I wasn't there as a director to ultimately run for Assembly or Senate like some of the guys that take these jobs.

Lage: So that was a plus for you.

Mott: Yes. One of the things that endeared us to the senators and assemblymen was giving them the privilege of passing out the Land and Water Conservation Fund checks to the supervisors or council-members in their districts. When I came to the department, it was the practice of the department to send the checks to the counties

Mott: and cities. Giving the checks to the senator or assemblyman gave them the opportunity to present the check and get their picture in the paper. This was good publicity for them, which is translated into votes. They appreciated having this opportunity, and this helped the department by having improved relationships with the senate and the assembly.

Lage: Another example of your creative thinking.

Mott: Well, just good public relations.

Senator Beilenson's 1971 Parks Legislation

Lage: What about Anthony Beilenson and the two bills that he put forth.* It sounded as if initially your department opposed them and then came around to accept them.

Mott: Let's see, what were those bills?

Lage: They had to do with categorizing the types of areas.

Mott: Oh yes, setting up the off-road vehicle use areas, state historic areas, the wilderness areas.

Lage: Different levels of development.

Mott: Right.. As I remember our comment was that we favored the bills but they were not drafted with the proper definitions. We redrafted the definitions, and we went to Senator Beilenson and said, "This is a better definition of these areas."

Also, there was a question about the off-road vehicle area. If I remember, he didn't support that. He felt that that was not the proper function of the Parks and Recreation Department to provide facilities for these people, if I remember correctly. But we finally convinced him of the value in having off-road vehicle use areas because that meant that we could ask these people to use these areas. I met with the off-road vehicle people on many occasions, and they agreed with this concept of separate use areas.

*SB272, in 1971, added three new classes of park units (off-road vehicle areas, natural reserves, and wilderness areas) and restricted the type of development permitted within each of ten classes of parks.

Lage: The way it's presented in California Journal [September 1971] is that the department saw these bills as a restriction on your freedom of action, that these classes of park areas would be sharply defined and you wouldn't be able to juggle things.

Mott: There was some question along those lines. I think the commission felt that the legislature was usurping their policy prerogatives in setting this up. The opposition wasn't directly from the department, that is, at the staff level. It was more the commission, as I recall, that felt that the legislature was taking on a responsibility that rightfully belonged to the commission as a policy-setting organization.

After we got it all put together I think everybody was in agreement with the bills. I think the conflict was the commission feeling that the legislature was usurping their responsibilities. I believe that was probably true and the commission with the help of staff should have initiated the idea of classification.

The Governor's Task Force on Efficiency and Cost Control

Lage: Did you have many dealings with the governor's task force on efficiency and cost control?

Mott: Oh yes. They came and went through the department.

Lage: That was early.

Mott: Right. We were already in the process of reorganizing when the governor set up his task force.

Lage: How did you work with them?

Mott: They felt we were on the right track. We didn't have any problem with them. The man who was in charge of looking at our department was from the telephone company. Since we were moving in the direction of reorganizing to be more efficient and more effective, their recommendations were what we were going to be doing anyway. Their recommendations fit into what we were doing because what we were doing was what they felt we should do.

Lage: Did you find, or do you recall talking with them, if they had an understanding of government and of parks? Were they willing to listen to you, at least?

Mott: I think they listened more to what we were saying than what they knew about parks and recreation.

Lage: That didn't present any problem.

Mott: I don't remember that we had any conflict or any problem at all in that area.

Lage: It's just an interesting idea to get a group of people from outside government to come in and look it over.

Mott: We were doing that kind of reorganization that normally the private sector would be doing. We weren't accepting the department as it was. We were going to reorganize it, and we were going to bring in public relations, which, of course, the private sector thinks strongly of. We were going to have a very cost-effective program. We were going to set up a department of finance, or a department of budget, within our own department. We were going to reorganize our field organization to have more control out in the field and all this sort of thing. It was the sort of thing that they would recommend. All we were doing was what they would normally do in their own private sector.

Lage: You did their work for them.

IV PARK PLANNING, RANGER TRAINING, AND SUPPORT FOR PARKS

Formal Planning

Lage: Let's talk a little bit about planning. I am interested in how the formal planning process relates to the actual decision-making on where parks are established and how they function. You did a lot of formal planning in the early years.

Mott: Right, and I think one of the reasons why we had good success on parks and on where money was spent to buy parks was that we had a plan. We had a series of categories that we reviewed to determine where we should have parks and what their priorities would be insofar as funding was concerned. In other words, if development was encroaching on a sensitive area that we thought ought to be in the park system, that would be a higher priority than an area that should be preserved but that had no immediate threat from development of one kind and another.

We had a series of categories that we developed that divided the state into a series of landscape provinces. And we had a similar program on historical preservation. We identified various periods in California history such as the Hispanic era, the Indian era, the Mexican era, the colonial era, et cetera. Within each of the classifications we selected the best examples and placed them in an order of priority for acquisition.

We had eight landscape provinces if I remember correctly. We selected within each of the landscape provinces the best examples of natural landscape that should be preserved for future generations. We identified all of those areas and using a set of criteria selected those areas that had the highest rating and placed them on a priority list for acquisition.

Handling Legislative Requests and Private Donations

Lage: Now, how did that relate actually to the areas that were acquired?

Mott: To my recollection, we did not vary from our priority listings. If a senator came and said, "Gee, I would like to get you to buy this area," we would say, "Look, Senator. Here is the criteria. We'll test it, and if it fits our criteria and it fits the whole program, fine. If it doesn't, we'll tell you." When we had all of the information together, I'd go to the senator and say, "Look, Senator. We can't accept your recommendation and these are the reasons for it."

I found the senators and assemblymen very, very willing to abide by our decisions because we could back it up with facts and information and a plan. Lately, it looks to me like there have been some acquisitions made that were done for political reasons without rhyme or reason.

Lage: Would an individual legislator come to you and ask you to support a particular place?

Mott: Sometimes they'd come, or they'd write us a letter, and say, "Our constituents think that this historic site or property ought to be in the state park system." The process then was to send it to the field. The field would evaluate the request and come back and say, "Yes, it's a good piece of property. It fits our criteria, locally." Then, it would go to the resource management division, which I set up. And they would determine whether, resource-wise, historically or naturally, this was a desirable site, and if it fit our criteria.

It would then go to the development division, and they would check it out for development cost and whether there was encroachment, et cetera. Finally, it would come to me with all of the recommendations, either negative or positive. On that basis I would make a decision: "Yes, this should go forward." We would then put it on our priority list of projects to acquire, based on our funding priorities. Or, if it was negative, we would then notify the senator or initiator of the project and say, "These are the reasons why we don't think it's a project of statewide significance."

We would have people suggest projects. We would have clubs and organizations present projects. We would go through the whole evaluation process for each project. The review was done on a strictly professional basis. I don't recall ever having a senator say, "Well, to hell with you. We're going to put it through anyway."

Lage: What about questions of private donations and how they would fit into your plans?

Mott: They had to fit the plan. We had to turn down some private donations.

Lage: Do you recall particular ones?

Mott: I remember one down in Los Angeles. It had something to do with the stagecoach trail. I don't remember the name of the property. It was near Glendale. They were willing to give us the property if we would develop the area into a state park. When we evaluated the proposal, we found that it didn't have the values that we required.

Lage: Castle Rock came in during your tenure, didn't it? And the Forest of Nisene Marks. Those were both gifts. Were they evaluated this way?

Mott: Yes. Castle Rock is next to Big Basin. Everything went through the evaluation process. The process had been further developed and copied all over. It's really a good way to find out if an historical site or a piece of property is of statewide significance.

Lage: Did you take a role in encouraging private donations?

Mott: Oh yes. Sometimes I was criticized by the legislature, particularly on the price of land. They said that I used my influences as a state employee to intimidate people to sell their land for less than its market value.

Lage: Why would they complain about that?

Mott: There is a feeling in the state legislature that you're not supposed to intimidate people and that all land should be purchased at fair market value. I always explained to people how they could get tax credits by giving part of their land and selling the balance at fair market value. I would show them how they could gain by giving us some land to eliminate the capital gains. For instance, Point Mugu. The original fair market value on that several thousand-acre acquisition, as I remember, was 12 million dollars. We bought it for eight. Mr. Danielson, the owner, was a very wealthy person and I showed him and his auditor and tax accountant how, if they gifted us a portion of the land, they could sell it for eight million dollars instead of twelve million dollars and actually have more cash because they would erase the capital gains by the gift.

The legislature couldn't understand why anybody would accept eight million dollars when they could have received twelve. They didn't understand how a gift of a portion of the land eliminated the capital gains.

Lage: Did you work with George Collins and Doris Leonard in Conservation Associates? They seemed to be trying to get donations for the park.

Mott: Yes. Sure, I knew George Collins from the National Park Service.

Lage: Did they ask about your priorities, or did they just come up with parcels?

Mott: Yes, they asked about our priorities and how they were established. They did not make available to us very much land. They, like the Save-the-Redwoods-League, were generally interested in acquiring redwoods, and we normally worked with the Save-the-Redwoods League.

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Lage: One reason I ask the question about planning is that in reading the California Journal, they made the comment that despite all the fine plans and effort of the statewide planning, "it is still basically true that parks are where you find them,"* and based on subjective judgment. From what you've told me, you do not accept that.

Mott: That's not true. The department does not buy parks subjectively. In fact, the Olmsted plan--that was made by Frederick Law Olmsted for the state park system when it was inaugurated--recommended the acquisition of certain lands and every unit recommended in that report by Mr. Olmsted, an outside planning consultant of highly reputable reputation, has been acquired. The only ones that haven't been acquired are the Petrified Forest up near Calistoga, which the State Parks Foundation now is working on, and we hope to acquire. One other unit that hasn't been acquired is the Morros, the volcanic peaks from San Luis Obispo to Morro Bay. We are working on that acquisition. In fact, we've acquired the first peak.

Anyone making such a statement is not familiar with the planning process in the state park system.

Lage: This statement was made in '71.

Mott: Well, the units have been acquired for specific reasons. If somebody thinks an area as an historic site ought to be a state park, it doesn't necessarily follow that it should be a unit of the state park system.

Lage: They didn't back it up with individual examples.

*California Journal, September 1971, p. 241.

Mott: I think I could show you the documentation, or you could get it from the department, on the evaluation of park areas and why they were purchased and why we selected them. The actual classification of units is the responsibility of the commission.

The Asilomar Training Center

Lage: Is there anything else that you recall or would like to say regarding your tenure as director of Parks and Recreation?

Mott: Two things: I'm not only very proud about the land that we acquired for future generations to use, but also about the development of the training center at Asilomar. I think the training of individuals at all levels, not just the rangers, is terribly important. I think that's part of the reason why the department has been able to operate so effectively and so efficiently, because we have a training program in the department--at least we did have and may still have--a training program in the department that is second to none in the United States.

We were able to develop the training center and that whole concept without using any state money.

Lage: Where did you get your money from?

Mott: Through the Asilomar Corporation, which we set up to run Asilomar. And as you probably know, the State Parks Foundation has now taken over the Marconi property in Marin County and we're going to develop that into a conference and training center for the northern park of the state.

Marketing the State Park System

Mott: So I am proud of that training center and of making interpretation a professional activity instead of doing it on a shoestring-amateurish basis. I think our interpretive program can be improved to an even greater extent. The annual 1983-84 report of the foundation will indicate how I feel about interpretation and how important it is. I think we have to do more. I think we've got to do more to market the product, the state park system. I think we haven't done as much as we should. With 90 million people visiting the state park system, good marketing would develop greater support for the system.

Lage: So the interpretive program is to help people understand the importance of the parks.

Mott: That's right, and to encourage people to support the system. You see, people take parks for granted. If we close down parks we would find that people support parks. When Governor Reagan wanted me to cut the budget, I could have closed several little parks. I said, "Governor Reagan, we are working on a shoestring budget. We are a very efficient operation. If you are going to ask me to close some parks to reduce the budget, I'm going to close Big Basin and Huntington Beach, and a few of our larger, more popular parks in order to save money. I'll tell you, Governor, if we close those parks, you will hear the greatest yelling and screaming from the public that you've ever heard in your life." So we didn't get our budget cut.

Lage: Did you tell him this directly? This wasn't through your dealing with the Finance Department?

Mott: No, this was dealing with the governor. He had a meeting once a month with directors and with the staff of the Resources Agency.

Lage: Who else would be present?

Mott: Every director of the Resources Agency, plus Ike and some of his people. Sometimes the governor would beg off, but we'd meet every month with the secretary, Mr. Livermore.

If we said we were going to close some of these parks, we would soon find out how much support we had. We have a Ticketron outlet in the State Parks Foundation office. We know that for Memorial Day weekend, there isn't a campsite available. And they're reserved ninety days in advance. A lot of people can't understand, "I wanted to come on Friday, Saturday, Sunday and Monday." Well, a lot of people have made their reservations for Thursday, Friday, Saturday, Sunday and Monday. So, they got in ahead of the person that came in ninety days before the Friday of Memorial Day weekend.

Lage: I see what you mean.

Mott: The demand far exceeds the supply. We have people call ninety days in advance, "I want to go to Carlsbad in ninety days," and they count back ninety days from Saturday because they want to come in on Saturday. Already, people have made reservations for Wednesday, Thursday, Friday, Saturday and Sunday and Monday. These late comers don't have a chance.

Lage: Is this just on the major weekends? Or does that go on throughout the--

Mott: That goes on all summer long now. Especially at the beach parks. But, even little Malakoff Diggins [State Historical Park in Nevada County] is filled up.

Lage: But you said that maybe we don't need to acquire more; we need to develop more. Doesn't that make it sound like we do need to acquire more land?

Mott: I didn't say not to acquire land. But I said you have to acquire specific lands or improve certain areas and enlarge certain areas. We also need to do more in the way of development. I mean, making the development more efficient and more effective in its use.

Lage: What kind of input do you have now in your position with the State Parks Foundation?

Mott: We do not in the State Parks Foundation initiate projects. We only carry out those tasks that the director authorizes. Getting back to your question relative to need, we are not meeting the recreation needs of the people, nor is the National Park Service, nor local parks. The time is going to come, in my opinion, when Californians are not going to be able to go to Yosemite whenever they want. I believe such national parks that belong to all of the people of the United States will be restricted to people in California to certain days, months or weeks. The rest of the time the park will be for people from New York, Massachusetts, et cetera. That's going to make some people in California unhappy because we're using Yosemite and usurping its use by others.

The same allocation system may be necessary for some of our state beach parks. Our Pacific beaches really should be available to everybody in the United States, not just to Californians. The time is going to come when we're going to have to say that Carpinteria State Beach, for example, will be available every other week to Californians and the rest of the time for people outside of California.

Lage: That's going to be harder to say when it's supported by California taxes.

Mott: I know. But then you raise the rate for people outside of California. My argument would be, "Our people are paying for this park; they bought the park. Their camping fee is seven dollars a night. You, as an outsider, are going to have to pay twenty dollars a night to make up the difference." And they'll do it because the Pacific coast is special. It isn't just California's coastline; it belongs to everyone in the country. That day is coming in my opinion.

Lage: Don't tell me. That makes me sad.

Mott: I know. It's like prior to the reservation system, people came to the park at 5 o'clock in the morning, got into fights on who was first in line. It was a headache. Awful! We put the reservations in, and we had a lot of complaints from people saying, "Well, I can't make up my mind whether I want to go on a particular day, I can't plan so far in advance. I've always been able to go to a park whenever I felt like it." Well, there weren't too many people complaining.

Two years ago when they were putting in a new sewer system at Bliss Memorial State Park at Lake Tahoe, we had to close the campgrounds. You should have heard the people complaining because we cancelled the reservation program, and camp sites were on a first come, first serve basis. Now people support the reservation system 100 percent. At least, you have a chance of getting into the more popular parks and beaches.

The California State Parks Foundation

Lage: Do you still keep your hand in all this?

Mott: Yes, through the State Parks Foundation.

Lage: How does that work with the state parks department?

Mott: We don't do any work unless the director of the park department authorizes it. We work with the department. We don't initiate projects. We don't conflict with what they want to do. They tell us, "We want you to raise the money to restore the west garrison on Angel Island," and that's what we're doing. "We want you to develop a historic farm concept down at Malibu State Park." We're raising the money to do that. For many of these projects, the department can't get the legislature to allocate the money. They don't understand why a particular project is needed. We just completed the purchase of the first parcel of land to preserve the naturally reproducing azaleas above Arcata. They are, primarily, of great interest to scientists because that's the only place in the world where the native California azaleas have naturally hybridized. There are tall ones, short ones, dwarf ones, lilly-flowered, white-flowered, pink-flowered, yellow-flowered, singles, doubles, what have you.

Lage: That sounds beautiful.

Mott: Yes. So, we're purchasing the land to preserve this unique stand of azaleas. Not everybody is going to go to see this unit but people who are interested in horticulture and scientists are going to be very much interested in this acquisition. If it isn't acquired it will be destroyed and a unique gene pool will be lost.

Lage: You're doing wonderful work.

Transcriber: Ann McIntosh
Final Typist: Catherine Winter

TAPE GUIDE - William Penn Mott, Jr.

Date of Interview: May 23, 1984

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Government History Documentation Project
Ronald Reagan Gubernatorial Era

David Swoap

THE CONTINUING STORY OF WELFARE REFORM, 1965-1983

An Interview Conducted by
Gabrielle Morris
in 1983

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David B. Swoap, Secretary
Health and Welfare Agency, State of California

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INTERVIEW HISTORY -- David Swoap

This interview with David B. Swoap discusses reforms in California's welfare program during Ronald Reagan's gubernatorial administration from the perspective of the legislature as well as the governor.

As a young staff member, Swoap recalls participating in preparation of the legislative analyst's first report on the new Medi-Cal program in 1965. He then became a consultant to the Senate Finance Committee, where he came to respect Chairman Howard Way for his fight against Medi-Cal's open-ended cost-reimbursement provisions. The fight included legislation Way introduced in the late '60s to correct what were seen as defects in the treatment of outside income, work requirements, and eligibility criteria and, later, assisting with the passage of the governor's bills.

When Reagan's major welfare-reform effort was launched in 1970, some of these concepts were included in the governor's legislation developed by a staff task force in which Robert Carleson, Jack Svahn, and Ronald Zumbrun played key roles. Like Svahn and others at that time, Swoap sees himself as one of the first generation of Republican health and welfare practitioners. From that point of view, two major problems have happened over time in public assistance programs. One is that the "eligibility side of the equation has been invaded by people increasingly from the middle class"--for example, the food stamp program created to help people who literally couldn't feed themselves which "became broadly accessible to college students, strikers, and whole different elements in the population." The other major problem has been "the layering of one program on top of another without adequate accountability."

After a stint as legislative liaison for the state Personnel Board, Swoap came to the Department of Social Welfare as deputy director to Robert Carleson, also because of his legislative experience. A year later, when Carleson accepted a position in Washington, Swoap became the director. "My job as Carleson's successor was really to make sure that the very creative reforms that he had gotten in place stayed in place; to consolidate them..."

Consolidation involved considerable reorganization within the Health and Welfare Agency, of which Swoap's department was a part, with the aim of unifying fiscal management functions. The interview concludes with his recollections of the two agency secretaries with whom he worked, Earl Brian, Jr., and James Jenkins, and a brief assessment of the continuing need for public assistance programs. A businesslike person, Swoap responded thoughtfully to the interviewer's questions and seemed interested in presenting his ideas on government administration and services.

When the interview was conducted in November 1983, Swoap was himself secretary of the California Health and Welfare Agency, appointed by Governor George Deukmejian. The session was recorded in Swoap's office at the agency in

Sacramento. The lightly edited transcript of the interview was sent to him for review and returned via his public affairs office with few emendations. By the time production of the manuscript was completed, Mr. Swoap had left state service to open a government relations firm in Washington, D.C., and San Francisco in partnership with Michael Franchetti, formerly Deukmejian's director of finance.

Gabrielle Morris
Interview Editor

May 1986

BIOGRAPHICAL INFORMATION

(Please print or write clearly)

Your full name David Bruce Swoap

Date of birth Aug. 12, 1937 Place of birth Kalamazoo, Michigan, U.S.A.

Father's full name Orlo Frederick Swoap

Birthplace Covert, Michigan, U.S.A.

Occupation Pharmaceutical company executive

Mother's full name Aileen Esther Swoap

Birthplace Kansas City, MO, U.S.A.

Occupation Homemaker

Where did you grow up? Kalamazoo, Michigan, U.S.A.

Present community Sausalito, California, U.S.A.

Education B.A., M.A.; Dr. Sci. (h.c.)

Field of concentration: Government

Occupation(s) Member, California legislative staff, 1964-71; Assistant Secretary, California State Personnel Board, 1971-73;

Chief Deputy Director and Director, California Departments of Social Welfare and Benefit Payments, 1973-75; Member, staff of U.S. House of Representatives and U.S. Senate, 1975-1981; Under Secretary, U.S. Dept. of Health & Human Services, 1981-83; Secretary, Calif. Health & Welfare Agency, 1983-85; partner, Franchetti & Swoap, 1985-present.
Special interests or activities Reading, hiking, travel

I MEDI-CAL IN THE 1960s AND 1980s

[Interview 1: 15 November 1983]##

Legislative Analyst's Staff

Morris: You were saying you had some contacts with the medical school in San Francisco. Were you in the medical school then?

Swoap: No, as I say, this was largely just pursuant to some personal friends from Denison University in Ohio. I came out to California originally in 1964 and joined the staff of the legislative analyst's office and initially served as a budget analyst there in the field of health and welfare.

Morris: So you would have worked for Alan Post?

Swoap: Yes.

Morris: Had he recruited you from Ohio?

Swoap: Actually, from my home in Michigan. I had gone to graduate school at Claremont. When I was trying to establish myself and find where I was going in government--I had majored in government both at the undergraduate and the graduate level--I had written to Alan Post's office and joined them in '64. I knew nothing about health and welfare, but walked in and was handed that as a budget assignment.

Morris: Did he bring in a number of people at the same time when you came in?

Swoap: I don't think there was any large number. They kind of routinely and regularly bring in people, particularly who are fairly young, recent graduates from graduate school programs, and train them as budget analysts. It's really an excellent training ground for state government because you get a bird's eye view of all of state government, depending upon your assignment.

Swoap: I had the whole social welfare and health field. I was there during the creation of the Medi-Cal program, and the Medicare program at the federal level. It was a really fine training program.

Morris: I should say so. Did you have recommendations to Alan Post and Pat Brown who was then governor?

Swoap: As a part of the budget analysis process, I participated in the drafting of the--let's see, which one would it have been? Nineteen sixty-five Analysis Report to the Legislature, I guess. You're probably familiar with the big thick analysis of the budget that the legislative analyst puts out every year. That was the one that I worked on in 1965, in reviewing the health and welfare proposals of the Brown administration. A number of the recommendations in the budget analysis came out of our section.

Morris: I talked to Hale Champion a little bit about that a number of years ago.* He seems to feel that the initial decisions made as to how those contracts would be set up were not, maybe, the most cost-efficient. Do you remember any debate or discussion about that?

Swoap: Which contracts are you talking about?

Morris: The first California contracts with health providers under Medi-Cal.

Swoap: Is he talking about in the early period of Medi-Cal? Or is he talking about later in the early 1970s where Earl Brian was pursuing the prepaid health plan concept? That may be what he's talking about.

Morris: Hale Champion was talking about when he had been director of Finance, which would be '65.

Swoap: During the time he was director?

Morris: When it was first set up.

Swoap: I frankly don't recall because not a whole lot was done contractually. That's the part I'm hanging up on now because we really developed an open-ended cost-based reimbursement system in the Medi-Cal program. If there were contracts with outside providers-- I'm not sure what he's referring to.

*See Hale Champion, Communication and Problem-Solving: A Journalist in State Government, an oral history interview conducted 1977-1979, Regional Oral History Office, The Bancroft Library, University of California, Berkeley, 1981.

Swoap: We later moved to this prepaid health plan initial development in the early 1970s, and we're mirroring some of that now [1983] in the sense that we're trying to expand our capitation approach in the Medi-Cal program. Now we have, as you may know, what is called the selective contracting with hospitals, where we contract with individual hospitals to provide the in-patient care for Medi-Cal recipients. But in the early period of the Medi-Cal program I don't recall any contractual agreements.

Morris: I may have misspoke, because the phrase open-ended was the one that apparently bothered Hale Champion.

Swoap: Yes. That I would concur with because in the early period of the Medi-Cal program we developed essentially just a completely open-ended cost-based reimbursement system with a very liberal schedule of benefits and a very liberal eligibility pool, to the extent that it very rapidly ran into fiscal problems. That led to some of the need for cost containment in the '70s. I would certainly concur with Hale in that regard.

State Senate Aid

Morris: Would you have gotten to put your remarks into the discussion with the legislature when they were setting up those original--?

Swoap: Not specifically, but you might be interested in some related subsequent events. I left the analyst's office to join the senate staff and became a consultant to the senate fact-finding committee on labor and welfare. In that capacity, I got to know one of the members of the committee quite well, for whom I later went to work as well, as his administrative assistant. That was Senator Howard Way of Exeter. Senator Way, as you may know, was in the state senate for a long period of time. [1963-1974] He had a very distinguished career in the state senate.

He led the fight in the Senate Finance Committee against the open-ended, unrestricted nature of the Medi-Cal program. I was providing him a lot of staff support and the materials for doing that. The only document that I recall that might be really interesting to you in that regard would be a column that was done by Ray Zeman of the Los Angeles Times just about that time. It was called— What was the headline? It was something like "Exeter Senator Calls 'Whoa!'" It referred to his agricultural background because he was a rancher, et cetera. But he also had a very good fiscal background on the finance committee. Essentially what Ray Zeman did in that column was to point out how (I can't recall just at the point at which it was written, whether it was written right then or a year or so later) Senator Way was right in his caution,

Swoap: in his caveats about moving into this program in a too unrestricted fashion. It was an interesting—and accurate, in the light of history--perspective.

Morris: If Senator Way and the governor's then finance director were both concerned about this open-ended cost factor, how come it was passed?

Swoap: This goes back a long time. So my memory is a little faulty on this. I'm not sure that we really saw that kind of concern coming out of the Brown administration in a complete fashion. You had the coalescence, as well, of a lot of interests at that point. There were federal efforts to liberalize the program under the Johnson administration. You had the California Medical Association urging mainstream medicine for public assistance recipients. I recall Senator Way engaging in some dialogue with the CMA, saying, "But, couldn't this lead to fiscal disaster?"

Morris: Then did you stay with Senator Way in the brief period he was prominent?

Swoap: Yes. I was with him and for a very brief period was director of the Senate Office of Research under Senator Way.

Morris: That was in its early years at that point too, wasn't it?

Swoap: Yes, right. I think I was the second director. I think the fellow who preceded me was the initiator of the office.

II STATE PERSONNEL BOARD, 1970-1972

Collective Bargaining Initiatives

Morris: When did you go over and join Governor Reagan?

Swoap: After about five years with Howard. I initially went to the State Personnel Board as assistant secretary and was recruited then by Nita Ashcraft who was the chairperson of the board. Rich Camilli, who is now my undersecretary, as you know, was the executive officer of the State Personnel Board. Roy Stephens was the long time assistant secretary. He had been there for a very long and distinguished career as assistant secretary. That slot has the responsibility for the legislative liaison for the Personnel Board. He was retiring and they were looking for someone who had had some legislative background.

My knowledge of and expertise in personnel issues was almost totally absent. But I went over to the board and spent about a year and a half and had a very pleasurable and productive time working with Rich and with the board on personnel issues.

Morris: They both had come in as part of the Reagan administration?

Swoap: Yes.

Morris: What kind of ideas did they have as to how the Personnel Board should function?

Swoap: Basically they were interested in pursuing a classification system and a merit pay system that enabled us to affirm state classification and salary setting methods, but still permitting enough flexibility to encourage good management practices. I'm trying to recall if the CEA system emerged right then or not. Are you familiar with the Career Executive Assignments?

Morris: I am. It's one of the things that we are interested in researching during Governor Reagan's administration. I think it had been created--

Swoap: Before?

Morris: --before, and hadn't really been used.

Swoap: I think that was one of the thrusts of the board. Are you scheduled to talk to Rich? You might want to.

Morris: This afternoon.

Swoap: Why don't you explore that with him because he, no doubt, would recall much of that much better than I do.

Morris: That was a state-of-the-art kind of idea, wasn't it, at that point in public administration?

Swoap: That's right. In government generally. In the federal government we're pursuing now many of the same initiatives. There was talk about merit pay kinds of things and permitting or encouraging additional incentives for managers to manage well.

Morris: Did the CEA program have any legislative aspects? You said your job was primarily legislative?

Swoap: My job was primarily legislative, but on issues other than CEA. I spent a great deal of time in what was then the embryonic labor relations aspects of personnel in the state government. In other words, you were beginning to see some of the legislative initiatives for collective bargaining, and much of what we have now began to just kind of peep through the ground at that point.

As I recall, we were in opposition to some of the more far-flung collective bargaining type proposals. I spent a lot of time working to try to see that if anything did emerge in that area, that it made sense and that it wasn't a full-blown right to strike, collective bargaining kind of thing for public employees, because the administration had some philosophical problems with that.

Morris: Did you ever sit in on any cabinet meetings during the '70s or talk to Governor Reagan himself?

Swoap: Yes, although in the Personnel Board assignment I frankly can't recall much of the details on that because I was simply supporting Rich in that activity. I remember accompanying Nita and Rich to two or three cabinet discussions on personnel issues; I am really rusty on the details. Later, of course, I did as director of Social Welfare.

Morris: The other part of that equation would probably be the California State Employees Association.

Swoap: Right.

Morris: How were they to deal with?

Swoap: We had a very friendly and open relationship. As you know, I've been gone for eight years and I just came back in January [1983]. My impression is that there is much more distance and tension in the relationship between management and CSEA now than there was then. I don't know if that is an outgrowth of the collective bargaining approach or what. And that could be wrong. As I say, I'm not that close to it even now. But my impression is that the relationship between CSEA and state management as represented by the Personnel Board and others was closer and more amicable than it may be now.

Morris: Would you have had any direct dealings with anybody in the CSEA?

Swoap: Oh, yes. We worked with Mike Douglas and Aaron Reads, and Keith Welch. Those were the three individuals, I believe, that principally we worked with at CSEA.

My own feeling is that the collective bargaining process has led to this polarity because, of course, CSEA has had to adopt more radical positions to retain their existence. They're in competition now with a bunch of other unions, and I think that has tended to encourage polarity where maybe it didn't before.

Morris: Were the other unions visible in these early discussions that you were part of?

Swoap: Just beginning, as I recall. I think they were just beginning to develop into what they have become.

Morris: How did the legislature feel about this idea?

Swoap: The legislature was divided at the time. There were a number of proposals to pursue collective bargaining on a fairly aggressive scale. Generally, the outcome was, as you know, that we didn't get it until the [Edmund G., Jr.] Brown years. Generally the legislature had some of the same reservations that we did. It wasn't until the Brown years that it came into being.

Morris: The other personnel thing that involved a lot of Governor Reagan's attention was the task force on government efficiency and economy. Did that come into your activities at all? Did they come and do a task force study--?

Swoap: I think they did. Again I don't recall the details. But I did work fairly closely with them in Washington. Mr. Reagan recreated that as a management tool in Washington under his presidency. It's called the Grace Commission, as you may know, under Frank Grace. I worked with them probably more closely at HHS [Health and Human Services] in Washington than I did in the Reagan governorship. But I'm an enthusiast of that. I felt that they came forward, both then and recently in Washington, with some very innovative and desirable and creative approaches to government.

Legislative Relations

Morris: In your relations with the legislature, did you have any of the fallout from what the books refer to as Governor Reagan's difficulties with the legislature. Did that work its way down and out into things like the Personnel Board?

Swoap: Not for me individually; I don't think so, for a couple of reasons. One is that I had come from the legislature. I had spent about seven or eight years over there before I joined the administration. I knew a lot of the players, both members and staff.

That was helpful. That was true, incidentally, in Washington as well. It was a kind of a mirror of the same kind of thing. I spent six years on the Hill and then I went to the executive branch. That's always helpful. For example, in Washington I was with the Senate Finance Committee under then Senator Carl Curtis of Nebraska and for a brief time with Senator Robert Dole. So much of the Health and Human Services programs go through the Senate Finance Committee in Washington. It's just always good to have worked with all of them and know them and their staff. That was one helpful factor.

The other was that Rich and Nita had stressed a cooperative, low key, reasonable working relationship. I really think that that was found there. I would say, looking at the Reagan administration as a whole, I wouldn't even characterize it quite as strongly as you did in terms of that "difficulty," because the whole welfare reform initiative, as you know, was one of his major legislative successes. It emerged from a period of detailed negotiations with the Democratic leadership in the governor's office.

Morris: People like Lou Cannon refer to that 1971 Welfare Reform Act as being the great breakthrough, that because Mr. [Robert] Moretti and Mr. Reagan did reach a point where they sat down and talked about it that from then on legislative relations improved.

Swoap: I was in the executive branch at the time that the legislative relationships were improving. Maybe that's why I see it from that perspective.

Morris: In doing your legislative work for the Personnel Board, would that have brought you in contact with Vern Sturgeon and George Steffes, who were in the governor's office by this time?

Swoap: Yes, right. I had enormous regard for both of them. George in particular I work with yet today. He's here in town, as you know, as a lobbyist.

III LEGISLATIVE WELFARE REFORM PROPOSALS, 1968-69

Swoap: When the welfare reform was being developed I was still with Howard. I had not yet gone to the Personnel Board. Based on the background with the legislative analyst and with the fact-finding committee on labor and welfare, we had developed a series of welfare reform proposals. We had a package of about fifteen or twenty bills. I guess this would be about 1967 or '68, somewhere in there. Or maybe later, '69. We were working with Bob Carleson and the governor's task force on welfare reform to kind of try to coordinate the legislative and executive developments of the proposals.

Morris: That's 1970. Bob Carleson's task force.

Swoap: Right, yes. We had had some packages developed in '68 or '69. When Bob came on the scene, then we worked with him on that.

Morris: Was it the financial aspects that were primarily of concern or was it the actual operations of the program?

Swoap: Both, really. We were concerned about the runaway nature of some of the expenditures. But those occurred because of what we believed to be program defects, on the way you treated outside income, or the work requirements, or any one of the eligibility criteria for AFDC. We had a series of bills developed on them.

Morris: At Senator Way's directions?

Swoap: This was Senator Way. This was his package of legislation. I can't recall the year. But you might want to look at those, because it was a fairly comprehensive package that he introduced.

Morris: How much of what was in that package ended up in what was finally passed after Mr. Moretti and Mr. Reagan got the negotiations moving?

Swoap: On the concepts, a fair amount, although, I don't want to leave the impression that the origin was the Way package and not what Bob and his team did, because it was really far more what the Carleson, [Ron] Zumbrun, Jack Svahn, negotiating team worked out in 1970.

I guess it wasn't so much that-- [knock on door] --the package of legislation that we had developed was the foundation for the contents of the subsequent Reagan package, but that it put us in a good position to assist legislatively when the Reagan package came forward. I really believe very strongly, and I'm very supportive of the fact that the Carleson package that was developed was an extraordinarily innovative and original one. It was not what we did, but what they did that really made the difference.

Morris: That bill, as it finally passed, was called the [Anthony] Beilenson bill, as I remember. What was Mr. Beilenson's position?

Swoap: He was chairman of the policy committee at the time, as I recall. He was the chairman of the health and welfare policy committee. The endeavor involved working with Moretti on the house side--the assembly side, then Senator Beilenson on the senate side. Senator Beilenson and Senator Way were very close personally. I can't recall whether Senator Beilenson was also on the finance committee at that point or not. As you know, he subsequently became chairman.

Morris: There's a transition going on in there because I think by the time the 1971 bill was written, Jim Mills was senate pro tem and Howard was no longer in the legislature.

Swoap: No, he left the legislature in 1974.

Morris: That's right. He stayed for a term after he lost his pro tem spot. Was that a real tussle?

Swoap: The pro tem fight? Oh, it certainly was. It was a major disappointment of course, because, as you know, Senator Way was kind of regarded as the new wave, having defeated Hugh Burns. It was a disappointment when he was defeated.

Morris: Would you have any sense of whether he had hoped to be pro tem for ten years or--?

Swoap: I don't really know. I know he was just looking forward to doing a major job of modernizing the senate and bringing in a number of new practices and developments that hadn't occurred to date.

Morris: The feeling was that things had sort of gotten stagnant under Hugh Burns?

Swoap: And the Old Guard "picture" in the state senate.

Morris: Did anyone suggest Unruh in all these discussions about welfare reform? He was a major person in the legislature at that point.

Swoap: Yes, but it was primarily his staff in the Assembly Office of Research that was involved, as I recall. I'm really rusty on that. I don't know. He was not as active as Bob Moretti, for example, and some of the others. He had of course, a number of professional staff in the assembly that came on board because of Jess's leadership.

IV DEPARTMENT OF SOCIAL WELFARE, 1973

Carrying Out Robert Carleson's Recommendations

Swoap: I first came over to the department as chief deputy director, and acting director and then as director. Earl Brian had become secretary of Health and Welfare at that time. Rich Camilli and Earl were very close. They were looking for someone who, again, knew the legislature and then had the health and welfare background. So it was largely for that reason that I came over to the department.

What I was going to say was--that's kind of a transition statement--was that my job as Bob's successor was really to make sure that the very creative reforms that he had gotten in place stayed in place; to consolidate them and make sure that we didn't have any retrogression on their achievement. So mine was largely an administrative consolidation of what he had achieved from a conceptual standpoint with the very major successes of welfare reform.

You wanted a couple of documents. One of them is what John just brought in.*

##

Swoap: We submitted this summary to the governor and to the public, which describes how when you take the four goals of welfare reform, which were to increase assistance to the truly needy, to the people without outside income; to require those who were able to work to seek work, et cetera, to place Medi-Cal benefits on an equal footing with health care available to working men and women; and to help strengthen family responsibility in our society.

*"California's Experience with Welfare Reform," December 1974. See appendix. Charts illustrating the text are from this report.

Swoap: Basically what we've done is go through how that was all achieved and how the successes carried through until the end of 1974. So some of this may be helpful to you. You've seen some of these kinds of charts, I'm sure, about the caseload downturn in March 1971, when the welfare reform was implemented.

But some of the others were maybe a little bit more interesting, like the fact that one of the allegations that we had received was that the downturn was really a result of the smaller family size that was occurring in the early 1970s.

Morris: And, specifically, also the result of the legalization of abortion.

Swoap: Yes, right. So our critics said, "Oh, well, it wasn't really welfare reform, but it was these other phenomena." So I had my research and statistics people take a look at that. They graphed what the caseload downturn would have been based on the change in family size only. That's this line. [see next page] Here was the actual downturn. The difference here was attributable to factors other than a decrease in case size. What we tried to do was to point out that welfare reform not only worked, but it worked for the reasons that we said it did and not for what some of the other critics were saying.

There are some other things in here about the California piece of the pie, on the number of AFDC [Aid to Families with Dependent Children] recipients and the projected state expenditures without welfare reform, estimated child support payments to welfare families.

Morris: Now, do these charts and statistics include the effects of the reforms in the Medi-Cal program as well as in other forms of public assistance?

Swoap: Some of them do. Most of them are AFDC. But some of them include Medi-Cal. You'll see a reference to Medi-Cal in the beginning, I think.

Morris: In the dollar amount and the number of state employees who were involved, how does the Medi-Cal program compare to the rest of the welfare program?

Swoap: You mean today?

Morris: Well, today, or if you can cast back a little bit to the '70s.

Swoap: Of course, that's a little hard to really compare because cash assistance is administered by the counties under state supervision. We don't have a whole bunch of eligibility workers and things like that at the state level. The Medi-Cal program, similarly, is

AFDC-FG & U Recipients

MILLIONS

15

— HYPOTHETICAL: Based on change in family size only
 — ACTUAL

1.8

1.77

1.65

1.5

1.4

1.3

0

MARCH 1971

MARCH 1972

MARCH 1973

MARCH 1974

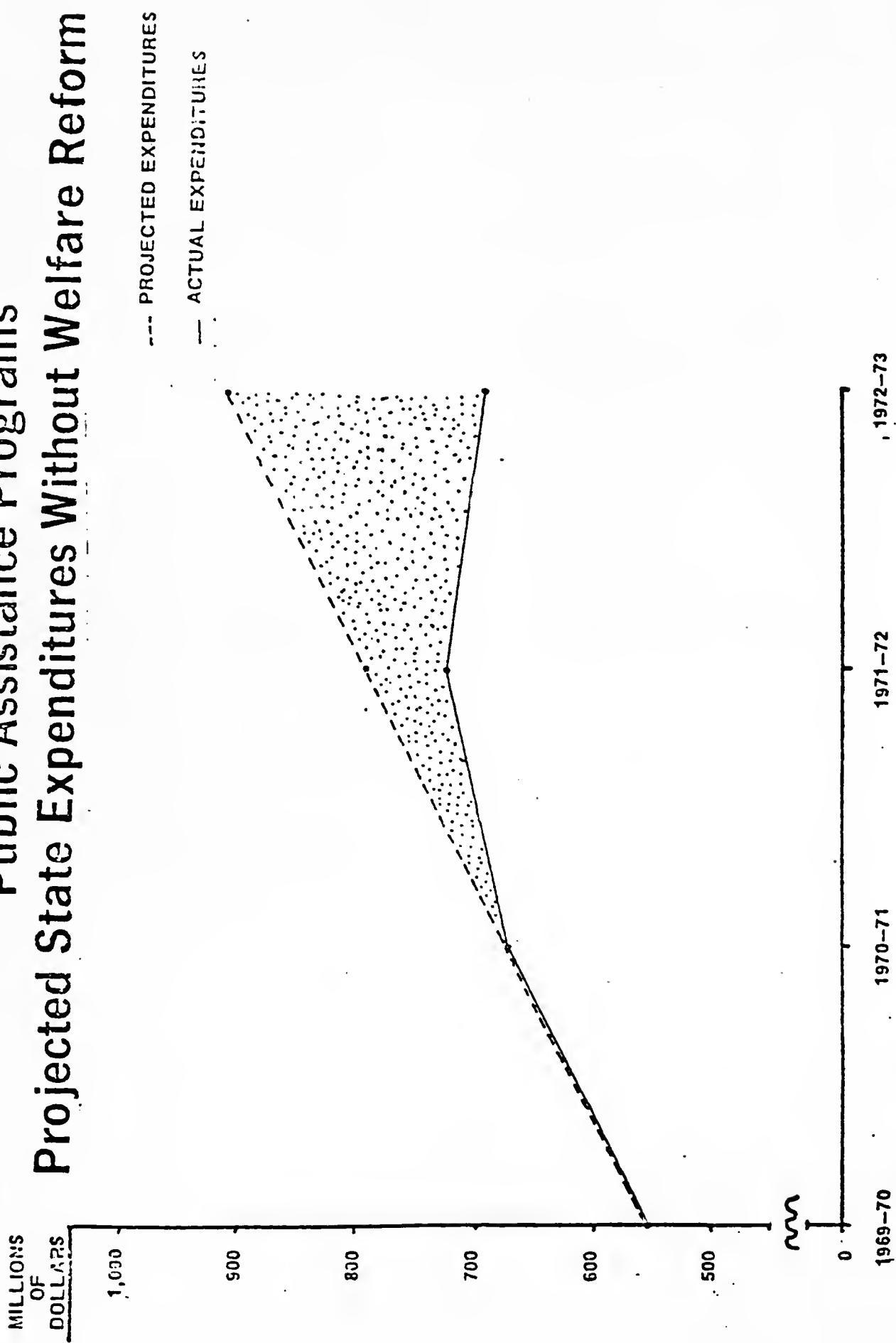
DECLINE IN NUMBER
OF RECIPIENTS DUE TO
FACTORS OTHER THAN
DECREASE IN CASE SIZE



Some adversaries of welfare reform take the unsubstantiated position that caseload decline is due primarily to a decrease in family size. This hypothesis proves its own invalidity when plotted against the actual post-reform caseload decrease.

Public Assistance Programs Projected State Expenditures Without Welfare Reform

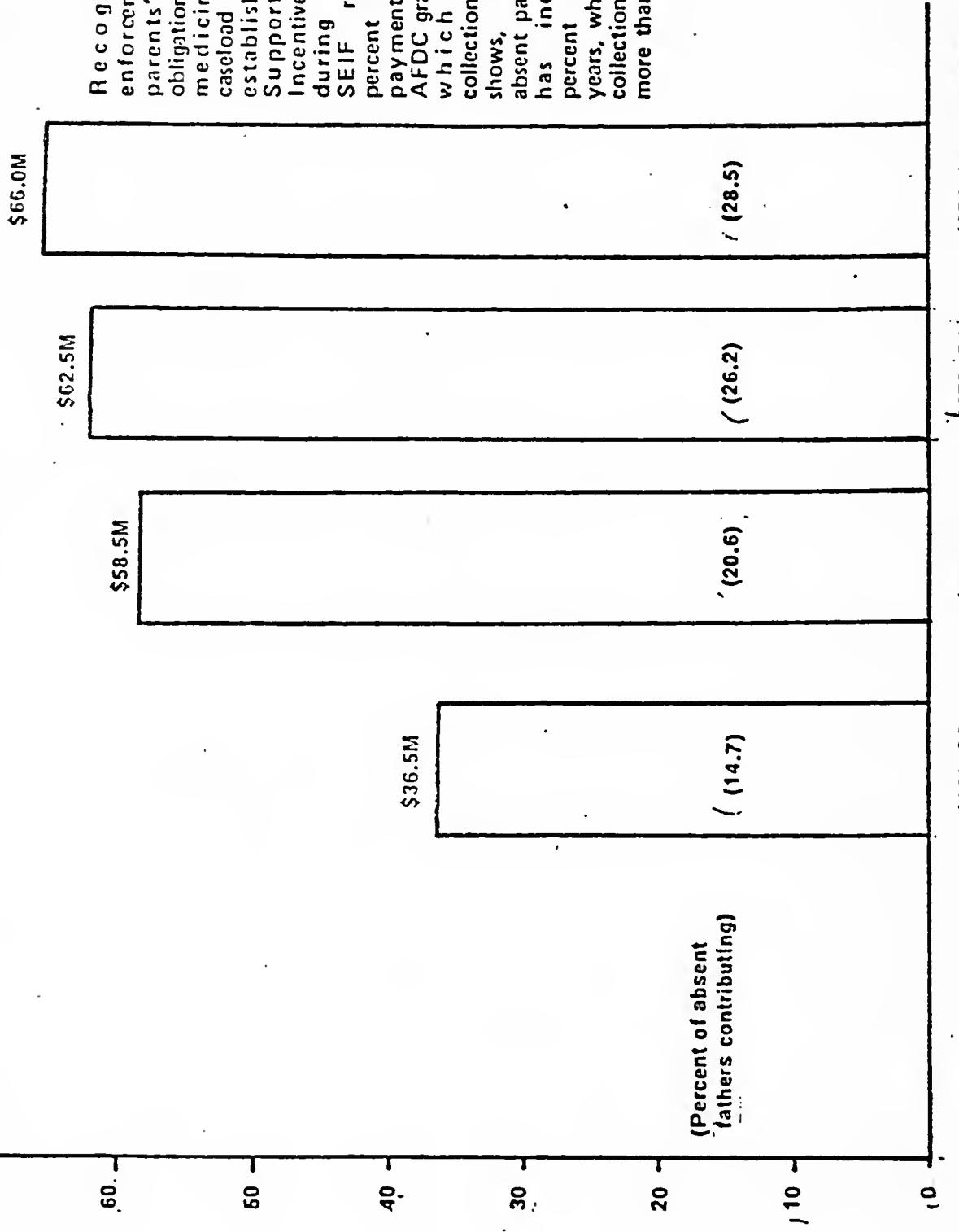
16



The savings in expenditures due to welfare reform can be roughly estimated by projecting the pre-reform expenditure trend and comparing that line with actual state costs. The result is a savings to date well in excess of \$1 billion.

MILLIONS OF DOLLARS

Estimated Child Support Payments to Welfare Families



Swoap: administered at the local level to the extent that the eligibility determination occurs there via the public assistance determination. But there is much more of a state administrative involvement in the Medi-Cal program either in the form of direct state employees or in the form of our contract with the fiscal intermediary, with the computer firm.

It's just sort of a different administrative creature in the Department of Health Services than it is in Social Services. Social services relies more on an overview of what the counties are doing. But the Department of Health Services has a more direct role in how the Medi-Cal program operates.

Capturing Outside Resources

Swoap: Just to finish up with this, some of the other data that's in here shows the effects of, as I say, the child support enforcement initiative, which again was one of the things that Bob Carleson and his group created. Are you familiar with the Support Enforcement Incentive Fund?

Morris: I've come across it and I would like to know some more about it.

Swoap: Okay. Basically, about 85 percent of your single parent AFDC problem derives from the fact that the principal breadwinner has deserted the family. Bob and his analysts felt that one of the solutions needed to be a much more aggressive child support enforcement effort. To do that they created what was called the Support Enforcement Incentive Fund. We returned to the counties about twenty-one cents, as I recall, out of every dollar they collected on child support.

We gave it back to them out of the state share; out of the state share for AFDC that normally would have been offset. We gave it back to the counties and we said, "You can have this back as long as you use it for additional child support collection efforts, as long as you use it to hire more investigators, or use computer tracking techniques," or something like that.

That's what enabled a development of this kind, where you see a virtual doubling of child support collections just in the period from 1970 to the end of the Reagan administration.

Morris: Is this that fathers returned money that families had received from the state welfare department?

Swoap: Yes. Once you catch up with them, then you require that they meet their court-ordered child support obligation. When they do, of course, that offsets what the AFDC payment has been.

You might be interested in one of the initiatives now of the Deukmejian administration: we're beefing up our efforts to go out and get not only the cash but the health insurance, because many times a father, although he's absent from the family, is employed, and many times his employment includes health insurance coverage for his dependents. Here's a resource that we're going to go out and try to capture, because somebody has been paying premiums on that health insurance, either the individual or his employer, or some combination of the two. But the child now is covered by the Medi-Cal program because we're not going out and getting that health insurance. That's just kind of another element of it.

Morris: This would sound like absent fathers who are reasonably economically well off.

Swoap: Yes. And many of them are. I don't know the precise statistics, but many of them are working. Many of them are in the same town or in an adjacent town. The idea that many of them have fled across state lines or are a long ways away usually isn't the case. They're usually somewhere fairly close by.

Morris: Were there any statistical analyses developed to determine what percentage of absent fathers were--what the breakdown is, of people who were unemployed, or--?

Swoap: Yes, the department has to determine what the potential for the resource collection is. You don't want to try to get blood out of a turnip. But in most cases, the potential hasn't nearly been accessed to the extent that is possible.

Morris: What kind of analyses are there of why somebody who is economically reasonably secure avoids paying for his kids?

Swoap: Again, a whole host of reasons. The department has done some studies in that area, and it just varies all over the map.

One of the other really innovative developments of the welfare reform proposals in 1971 that Bob put together was this earnings-clearance system where we, for the first time, began to do a cross-match of the earnings that were reported by welfare recipients with the employer payroll record that was reported to the state for unemployment insurance purposes. We'd never done that. It was a very simple kind of cross-match to do. As I recall, in the top 10 percent of the earners we found discrepancies in 40 percent of the cases.

Swoap: I think it's important to stress that both the child-support enforcement and this earnings-clearance system, were examples of management improvements that tapped outside resources without having arbitrary eligibility or benefit cutbacks in the welfare program. In other words, the secret of welfare reform is not going out and slashing the welfare rolls and saying certain people don't qualify or we're going to cut benefits, et cetera, et cetera. The secret of welfare reform is capturing outside resources that exist and bringing them to bear on the total problem. Things like the cash support from the absent father, or the health insurance of the absent father, or requiring the recipient to use his own resources when he has outside income that is underreported and that then turns up in the earnings clearance system. That's what welfare reform is all about. That sometimes is lost in the shuffle, in the political rhetoric, because people think that we're just going to crack down on welfare. That's really not what welfare reform is all about. I think it's more creative than that.

Similarly, the workfare aspects--the community work-experience program and our current proposals in workfare--are designed to utilize a resource that exists. That is the resource of able-bodied individuals who can perform meaningful community public service. That's a point that is often lost.

The other is, and one I feel very strongly about, that welfare reform also means increasing assistance to the people at the lowest end of the economic spectrum. In other words, taking the resources that we have and making sure that they're not drained off at the high end of the income spectrum by the middle class or lower middle class people that have increasingly invaded the public assistance programs; but taking those resources and making sure that we target them as accurately and completely as possible to the people at the lowest end, the ones who don't have any other resource on which to rely.

That's what was part of welfare reform, too, in the Reagan years: to increase benefits. We had, as I recall, about a 26 percent instant increase in the welfare payment schedule as a result of welfare reform. And then we put in an annual cost-of-living increase over time, each year, which by the time we left office had about a 41 percent total increase in the welfare grants. We have had almost a 50 percent increase in welfare grants just because of the '71 to '74 reform. As I say, a lot of people don't even know that. They think that we cut benefits to welfare recipients.

Morris: Did you gain any advocates amongst the spokesmen for the poor?

Swoap: Sort of grudgingly. They realized that we had done that. But they were still critical in many respects.

Spokesmen for the Poor

Morris: In planning and in implementing the reforms with Bob Carleson, did you have to go on the road at all and talk to some of the welfare rights people?

Swoap: Oh, yes. I tried to get this point across, sometimes with success, sometimes with not a whole lot of success.

Morris: Outside of the legislative arena, would they listen to you? Did they have any useful suggestions from their concerns, from their constituency?

Swoap: Yes. And sometimes, for example, on the child support side in particular, we did get support from-- I've forgotten the name of the group. I think it was something called Marching Mothers, or something of that kind, who were supportive of our efforts to go out and track down the absent fathers because they felt that they had been mistreated and cheated by fathers avoiding their support obligation. It sort of varied.

But as I say, I think the frustrating part of the whole thing was how in the political rhetoric, the fact that we cared just as much as the opposition did about poor people, and what we were trying to do was to allocate those resources as wisely as possibly to the people at the lowest end of the spectrum, sometimes that got lost in the smoke.

Morris: As you describe it, the spectacle of a gainfully employed person avoiding putting his children on his health insurance and not coming up with quarterly child support--that's a pretty scruffy individual. I would think that people would not like to be told this is what you're doing, caught up in their shortcomings. Did you have any attack from--?

Swoap: No, not really. Again, it sort of varied. Some people, once we caught up with them, began to pay on a regular basis. Others resisted. I don't recall really getting into that debate.

V DEPARTMENT OF BENEFIT PAYMENTS, 1974

Reorganization Pros and Cons

Morris: Do you have time this morning to talk a little bit about how the Department of Benefit Payments came about? Was that part of the original plan?

Swoap: No, that was a more subsequent thing that developed, again under Earl's secretaryship, in the thinking that because we have succeeded in converting the Department of Social Welfare to much more of a fiscal management entity than it was previously, therefore it made sense to bring into the department all of the fiscal and accounting and audit functions from the Health and Welfare Agency. That's why we brought in a lot of the tax collection and auditing functions from EDD [Employment Development Department] and some from the Department of Health and so forth, thus creating the Department of Benefit Payments. As you know, much of that has been sent back under the Brown administration.

Morris: And you shifted a big chunk of the social services function that had been in Social Welfare out--

Swoap: --to Health. That went to Health. I think you're talking about the Title XX social services activity. That went to the Department of Health. The Department of Health also was a creation of this time. It was a much more massive Department of Health than we have now. The Brown administration again chose to split up the large Department of Health that we had and make it just the Department of Health Services, which is largely Medi-Cal, toxics, and the public and environmental health program.

Frankly, I think you can argue it either way. My own predisposition at this point, today, is to resist reorganization of any kind because my own feeling is that government sometimes--and I'm not being critical of what we did in the Reagan years, I want to make that clear; this is simply my vantage point--government often

Swoap: reorganizes when it doesn't know what else to do, and that it becomes a substitute for program achievement. In other words, people think somehow that you're doing something meaningful when you're moving desks around and reprinting stationery. I don't think that's the case. I think often, in fact, it's an impediment to program achievement. I'd much rather deal with what we've got right now, even though there may be better ways to put it together.

Morris: Specifically, there are some thoughts expressed that Dr. Brian liked reorganizing. He had this inventive, ingenious mind.

Swoap: Oh, yes. There's no question about that.

Morris: If it worked this way, maybe if we rearrange it it would work better. And it keeps people on their toes.

Swoap: Earl's philosophy was certainly that; he was not reorganizing for reorganizing's sake. He was trying to achieve the best possible combination of functions, as with the consolidation of fiscal management in the Department of Benefit Payments. I was a strong supporter of that, and I think it made some sense.

It's just that where I am now is that I want to make sure that we achieve our program goals and that they don't get lost in the shuffle of reorganization. We have some reorganization on the drawing board such as a possible consolidation of the toxics program, and things like that. We may still do some.

Government organization, it has always seemed to me, is like a three-dimensional chess game. There is never an ideal way to organize it. You will always end up with a down side of some kind.

Morris: What are the three dimensions?

Swoap: The three dimensions are largely program content, fiscal variables and the character of the fiscal--

Morris: Income and revenues?

Swoap: Right. And how you account for it, and how you audit it, and things of that kind. The political/public constituency nature of the reasons why the first two exist. EDD serves the unemployed; it serves the employer community; it serves whatever, social services, welfare. When you try to organize those in differing ways you can do so with emphasis on any one of the three. My own feeling is that there will always be inequities, however you do it. It's better to kind of back off and deal with what we've got.

Morris: Are those concepts that go back to your own graduate training and undergraduate training? Or do the textbooks prove to be different when you have to actually take on the responsibility?

Swoap: It's a little of both. It came out of some of that academic training. But it's more sort of a hands-on experience of seeing how things function.

Morris: You are from one of the first generations that had professional training in government and then didn't stay in academia but came to practice it.

Swoap: Yes. I think that's probably right. I would say Bob Carleson and I, and Jack Svahn, and Ron Zumbrun, and some others are maybe the first generation of Republican health and welfare practitioners. In other words, there weren't a whole lot of us on the block in the earlier years who understood the health and welfare programs in detail.

Intent and Accountability in Public Assistance

Morris: As the entitlement--

Swoap: As the entitlement programs got going it was largely the proponents and the adherents of increased entitlements that understood them. We were kind of the first ones, I think, to begin to assess what was going on from a Republican standpoint. And then, I think, as well to develop a coherent view of how health and welfare programs should be administered from a Republican standpoint. There were a lot of people who felt welfare programs were terrible and everybody on them represented cheats or malingeringers. I don't share that view. I think that there's a very important and critical role for health and welfare programs. I've spent nineteen years of my political life in this field.

- But I do think, as well, from the standpoint of compassion and human service delivery that we can do as good or better a job of meeting human needs, if we can wring out the excesses in the system and if we can target benefits to people at the low end of the economic spectrum. From a management standpoint, if we do that then I think we are demonstrating the same kind of compassion and the same kind of concern for the people that we serve as our colleagues on the other side of the aisle. That's a point that sometimes is lost in the political rhetoric. I think people are beginning to understand it as we project that to the legislature, and to the Congress, and so forth. I hope so. It's hard to tell.

Morris: Is that stance one that assumes that there will always be a need for public assistance?

Swoap: Yes. There will always be a need for government, as efficiently and effectively as possible to channel resources to people who, through no fault of their own, don't have the means for subsistence on which to rely. What's happened over time is that public-assistance programs-- Really two things have happened, in my opinion and experience. One is that the problem is not so much on the benefits side as it is on the eligibility side. The eligibility side of the equation has been invaded by people increasingly from the middle class. We are endeavoring to provide the kind of targeted assistance that was in the initial mind of the creators of the program--we're now trying to provide it to this large-scale segment of the population.

The food stamp program is an excellent example of that. The food stamp program was created in 1965 at a total cost of about thirty-five million dollars. Today it's in excess of eleven billion. Something like one out of every ten Americans are receiving food stamps and one out of every seven are eligible. Something is terribly wrong when a program that was created to help people who literally couldn't feed themselves and who literally couldn't get a nutritionally adequate diet--when that was created with that end in view and then suddenly became broadly accessible to students, college students, strikers, and whole different elements in the population. That's one of the major problems.

The other major problem, it seems to me, that has occurred in the last twenty years, is the layering of one program on top of another without adequate accountability.

Morris: Accountability of the administration?

Swoap: And of the program outcome. Does it work? Does it achieve the ends for which it was established? Are we channeling the resources as efficiently as we ought to be? In the nutrition area again, you've probably got twenty different nutrition programs going on today, from food stamps to the WIC [Women, Infants, and Children] program to free noon meals for the elderly to free or reduced priced school lunches, et cetera, et cetera.

Largely this is an outcome of the Great Society. The base was established in the New Deal, and in the Kennedy years to some extent. But it's mostly an outgrowth of the Great Society; of the Johnson period where you had this massive layering of one program on top of another. I think it's only now that we're beginning to kind of separate them and do some rational analysis of them and decide which ones work and which ones don't.

Morris: When you were director of the Department of Social Welfare, and of Benefit Payments, did you have a sense of the different departments

Morris: with which you worked in the agency having similar kinds of programs? Was there any effort-- Were you able to make any impact on taking a look at these programs and--?

Swoap: Yes, we did some of that. Of course that's what Benefit Payments was about. That's why I think what Earl did made some sense at that point.

VI RONALD REAGAN AND NATIONAL WELFARE REFORM

Swoap: We also did—and this was the other thing I was going to leave with you—we also did this study, which was called "California's Blueprint for National Welfare Reform."*

Morris: Oh, great. The copy has disappeared from our library.

Swoap: They're hard to find. Basically that took a look at what remained undone in AFDC and what needed to be done for the first time in food stamps. The first go-around had not looked at food stamp programs because it's largely a federal program; not really state dollars involved. This was addressed more to the national level about what could further be done.

Morris: By the time this "Blueprint for Welfare Reform"—it's dated September '74--by then Bob Carleson was in Washington, wasn't he?

Swoap: Right, that's right.

Morris: But he took a look at this and--?

Swoap: Right. We worked closely together and did in Washington as well, when I went there. In your conversations with him and others you may have learned one other important piece that I think we should focus on. That is the Reagan presidency and how just in the last two years, three now, we have been able to achieve at the federal level an extraordinary amount of what's in that book because when Bob and a fellow by the name of Dave Wright, whom I brought to Washington when I went back there-- He went to work on the Hill.

*"Proposals for the Nation's Food Stamp and Aid to Families with Dependent Children Programs," Governor Ronald Reagan, September 1974. Copy in supporting documents in the Bancroft Library.

Swoap: He had worked on this report for me. He's now with congressional liaison in the White House. I brought him back and suggested that he come to work in the House Agriculture Committee on the Hill. That was when I initially went back there with the Republican Study Committee. So Dave went to work for the House Agriculture Committee.

I then pursued food stamp reform with Senator Curtis and Senator Buckley of New York and Congressman Michel of Illinois. Some of our early efforts were defeated on the Hill. But then when I went down as Undersecretary of HHS and then Bob, of course, was head of the transition for the whole department, for HHS. So he and I worked in developing a legislative package which would pick up on a lot of those proposals. The president gave it his early endorsement. This was early in the winter [of 1981] right after he was sworn in. Then the reconciliation budget process that you're familiar with in Washington, helped enormously because we bundled all this into the reconciliation bill.

Morris: In his first budget, so you could make some impact that time.

Swoap: Yes. If you comb all of the AFDC provisions that are in the reconciliation bill, you'll find that they represented this second piece of what needed to be done. Many of the federal impediments that we ran into in 1971 to '74 we took care of in 1980 to '83.

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Morris: In 1974 how much thinking was there that Reagan might go on to be president, that these were ideas that might be put into action on the national level?

Swoap: I can't say we were actually thinking of it, but in 1976 I was a strong supporter of his candidacy.

Morris: Was there a sense that this was something that was not out of the question and you should keep working on it?

Swoap: I think we all sort of cherished the hope and the conviction that, were he to be elected president, that some major reforms could be achieved. I think fortunately they have been.

Morris: In Congress, you said that there was a lot of resistance. There must have been some sources of support for Mr. Reagan's ideas while he was governor.

Swoap: Oh, yes. In fact, in 1971 or '72 he was invited back to testify to the Senate Finance Committee, because Russell Long and the president, then governor, early on developed a very close and personal appreciation for what each of them had done in the welfare field.

Swoap: Russell Long, although a Democrat, had felt as chairman of the Senate Finance Committee that we needed to tighten up on a number of our eligibility requirements in AFDC. I very much enjoyed the time I spent working for the committee because you could see--he's a masterful legislator, Russell Long. The governor came back and testified before his committee with some national press attention.

Morris: Was this on Nixon's Family Assistance Plan?

Swoap: Yes, it was.

VII GUBERNATORIAL TRANSITION, 1974-75

Morris: Our usual question at this point is to ask about what the transition to the Jerry Brown administration meant for you. You were already thinking of going to Washington?

Swoap: It all occurred very quickly because Mario Obledo, who was the newly appointed secretary, and his deputy Bob Gnaizda came over to see me the week before the swearing in of Jerry Brown. They expressed some appreciation and support for what we had done in welfare reform. But then I got a very, kind of, frankly an abrupt phone call on that Friday from Bob Gnaizda just telling me in effect to clean out my desk.

Morris: You were ready to commit before the end of December?

Swoap: No, this was-- Let's see, if the inaugural was about January 3, then maybe it was the last week of December. I said fine and announced to the department that that was the case and went home. There was some indication later from Governor Brown that he had not been aware that that was what they were going to do or that indicated that it was a little precipitous.

Morris: There was some expression of interest in the matter of welfare reform?

Swoap: Yes. I think frankly that the careful tending of it that needed to occur didn't in the last eight years. But still, the governor expressed and I think he had true feelings of support for what we had done in welfare reform.

Morris: He came into office, Jerry Brown did, on an austerity approach to government.

Swoap: What welfare reform takes is kind of this careful analytical and monitoring process which just didn't happen as much it needed to.

Morris: Did Earl Brian's departure for a political campaign [1974 U.S. Senate] have any effect on the momentum or your feeling of how things were moving in the department?

Swoap: No, because Jim Jenkins did such a fine job of picking up on his initiatives. Jim is a very creative and talented individual whom I was privileged to get to know at that time. As you know, he's now Ed Meese's deputy in Washington. He had been the Washington representative for the governor at one point and than had come into his public relations and press-type operation before he came over as secretary. He really hit the ground running. There wasn't really any lapse.

Morris: He hadn't done much in the way of the kind of fine tuning managerial responsibility. Did that create any difficulties?

Swoap: No, because he's kind of an intuitive manager in his own right. He just sort of knows how to do it.

Morris: And pretty much left you to do things the way you thought they ought to be done?

Swoap: On the program side, but he exerted a lot of leadership on the management side. I have a very high regard for Jim.

Morris: One last question, I know you have other things to do. Now that you are sitting in that spot yourself, as head of the Health and Welfare Agency, have you consulted with Earl Brian or with Jim Jenkins as to how they did things or what it was like?

Swoap: Sure. Oh, yes. Of course. We've talked often, both when I knew I was coming and after I've been here.

Morris: That's interesting that there's that kind of continuity.

Swoap: We stay in pretty close touch.

The only other document that you might want to take a look at --I don't have copy here for you, but you may want to dig it out-- was in the The Humanist magazine.* I was asked to be sort of the resident conservative and write an article which appeared in about 1977, I would think. It's about two years after I went to Washington. It was entitled "A Hard Line Helps the Genuinely Needy." I didn't select the title, but it kind of laid out a lot of what we've been talking about, a lot of my philosophy on welfare.

*37(2): 31-34, See appendix B.

Morris: Thank you. We'll find it in the library. The other one is Alan Post. Did you stay in touch with him as you moved around in state government?

Swoap: Yes. In fact, I just called upon his talents to serve as an independent review officer for me in the rebidding of our fiscal intermediary contract. It was a very politically high stakes item with a multimillion dollar contract. It ended up at about two hundred million, I think. I wanted an independent review officer to deal with all of the protests that were coming from each of the potential bidders. So I thought, what finer person than to ask Alan to undertake that responsibility. And he accepted readily. He did, of course, a fine job. We stayed in close touch.

Morris: If we were looking for somebody in the medical association to talk to about their views, who might be--?

Swoap: Probably Chuck Stewart would be one of your best, who is executive vice president of Blue Shield. He's in San Francisco. He was in the state Department of Finance here at the time. You might want to talk to Chuck. CMA, of course, is represented now by Jay Michael, who used to represent the University of California. But I'm not sure he would be that conversant on the early developments in Medi-Cal.

Morris: Was the president of CMA a major figure or was it mostly the executive--?

Swoap: Malcolm Todd was at that time, I think, who was a Long Beach physician. But Chuck was not in CMA. He was with the State Department of Finance and then went to Blue Shield.

Of course, Paul Ward now represents the California Hospital Association. He was secretary of Health and Welfare at the time that Hale Champion was the director of Finance.

Morris: We'll pursue our researches.

Swoap: There's probably somebody else who would be really good on the CMA and the medical community, who's really close to that. Bill Barnaby, he represented the CMA for a while. He was Senator Beilenson's consultant. He'll give you, of course, a view from the other side of the aisle.

Morris: That's helpful since those were the major players; to see what they have to say about what happened.

Swoap: Ron Zumbrun, if you haven't talked to him, you may want to. He was the deputy director of the Department of Social Welfare for legal affairs.

Morris: Right. He's been very helpful.

Transcriber: Ernest Galvan
Final Typist: Ernest Galvan

TAPE GUIDE -- David Swoap

Date of Interview: 15 November 1983
tape 1, side A
tape 1, side B
tape 2, side A [side B not recorded]

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California's Experience With WELFARE REFORM

Welfare reform in California began with four simple straightforward goals:

1) to increase assistance to the truly needy who have nowhere else to turn to meet their basic needs; 2) to require those who are able to work, to seek work or train for a job before receiving welfare; 3) to place Medi-Cal benefits on an equal footing with the health care available to working men and women who pay for this care themselves; and 4) to help strengthen family responsibility in our society.

Although the goals were simple, methods necessary to reach them were complex. I would like to touch on just a few examples of our successes under each of these four categories.

In attempting to assist the truly needy we were faced with regulations and statutes which favored persons with some outside income over those who had no income at all and had to rely totally on welfare. The key to reform here was a change in the method of computing welfare grants. A change was enacted, was bitterly fought by welfare rights organizations, and was eventually upheld by the United States Supreme Court in the Villa v. Hall case, a landmark decision in welfare law.

Welfare reform not only permitted us to increase the grant levels to the most needy, but equally as important allowed this to be done with no overall increase

In expenditures. This was possible because of a series of reform measures including stricter eligibility requirements, the separation of county eligibility determination procedures from grant determination procedures, and a reduction in the discretion permitted eligibility workers who often were more concerned with handing out money expeditiously rather than complying with eligibility requirements. There are other measures which increased the money available to the truly needy by eliminating from the rolls--or at least reducing the payments to--less needy welfare recipients. These include the Earnings Clearance System which enables us to determine whether the recipient is accurately stating his outside income when he applies for welfare.

The result of these innovations can be quickly summarized:

- 1) Welfare rolls which in the AFDC Program had been increased at a rate of 40,000 persons a month, are now today about three hundred and fifty thousand persons lower than in March of 1971.
- 2) Grants to the truly needy have been increased about 40 per cent since 1971.
- 3) Since 1971, we have spent nearly one billion less on welfare than we would have had no reform been implemented.

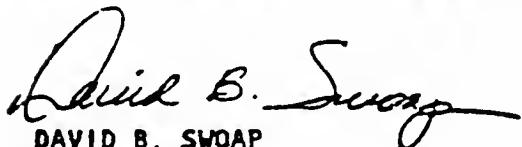
The work programs that developed with welfare reform have been successful. Three years ago only fifteen thousand welfare recipients were placed in jobs during an entire year. During last year the Employment Development Department (EDD) placed seventy-five thousand welfare recipients in regular jobs.

Medi-Cal reform brought a balanced system of full medical care for the needy without over utilization of doctors and medical facilities.

Out of our attempts to strengthen family responsibility came a stronger responsible relatives program designed to insure that all adult children who are able

contribute to the support of their aged parents who are on welfare. Another important innovation in this area is the Support Enforcement Incentive Fund. We know that at least 80% of the families in the AFDC program are there because of the lack of support by one parent, usually the father. In most cases that father is able to pay child support which would allow the family to move off welfare or at least decrease its dependency on welfare dollars. By providing District Attorneys offices with an incentive to collect support payments from absent fathers, the enforcement program more than pays for itself in increased child support collections. Support payments in welfare cases are now running at a rate of more than sixty million dollars a year, compared with thirty-seven million dollars collected in 1969. I should add that the incentive program has been copied by HEW and is now being implemented nationwide in much the same fashion as it is being used in California. We have a long way to go before the potential improvement in the collection of child support payments is achieved. But we are making strong headway in this direction, in large part due to a general recognition that an irresponsible parent--be he a husband or an unmarried father--is at the root of many of our welfare cases.

This brief summary of welfare reform in California might best be summarized by headlines which appeared in the Sunday Los Angeles Times opinion section, September 29. The headline stretched over a three-column story on the achievements of welfare reform and it said simply "Welfare reform--a promise is kept".



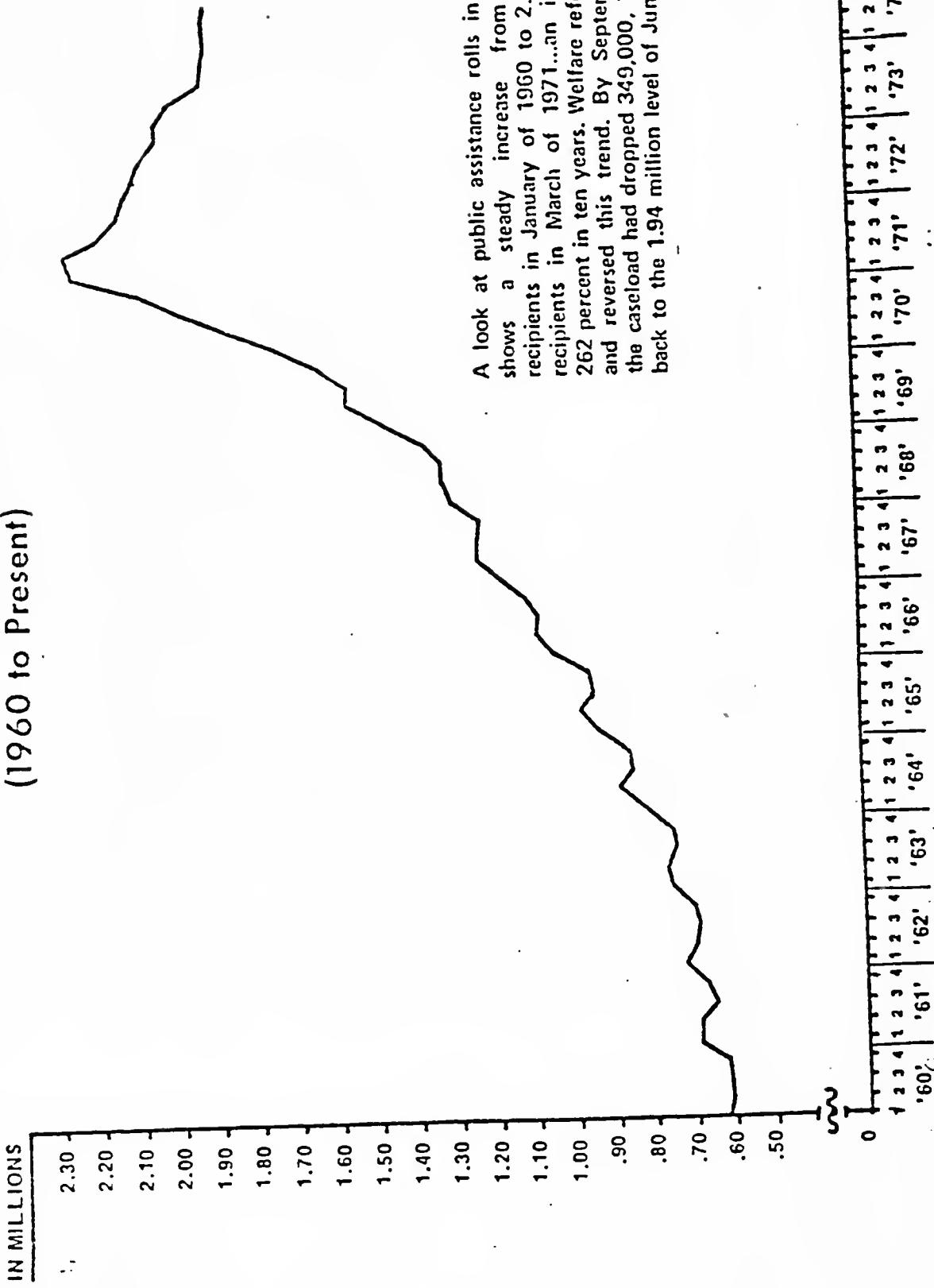
DAVID B. SWOAP
Director

California's 1971 Welfare Reform Act has been hailed across the nation as a model for responsibly reforming our welfare system. Its success in turning back a soaring caseload and controlling costs is well known. The following pages present an updated, graphic look at the achievements.

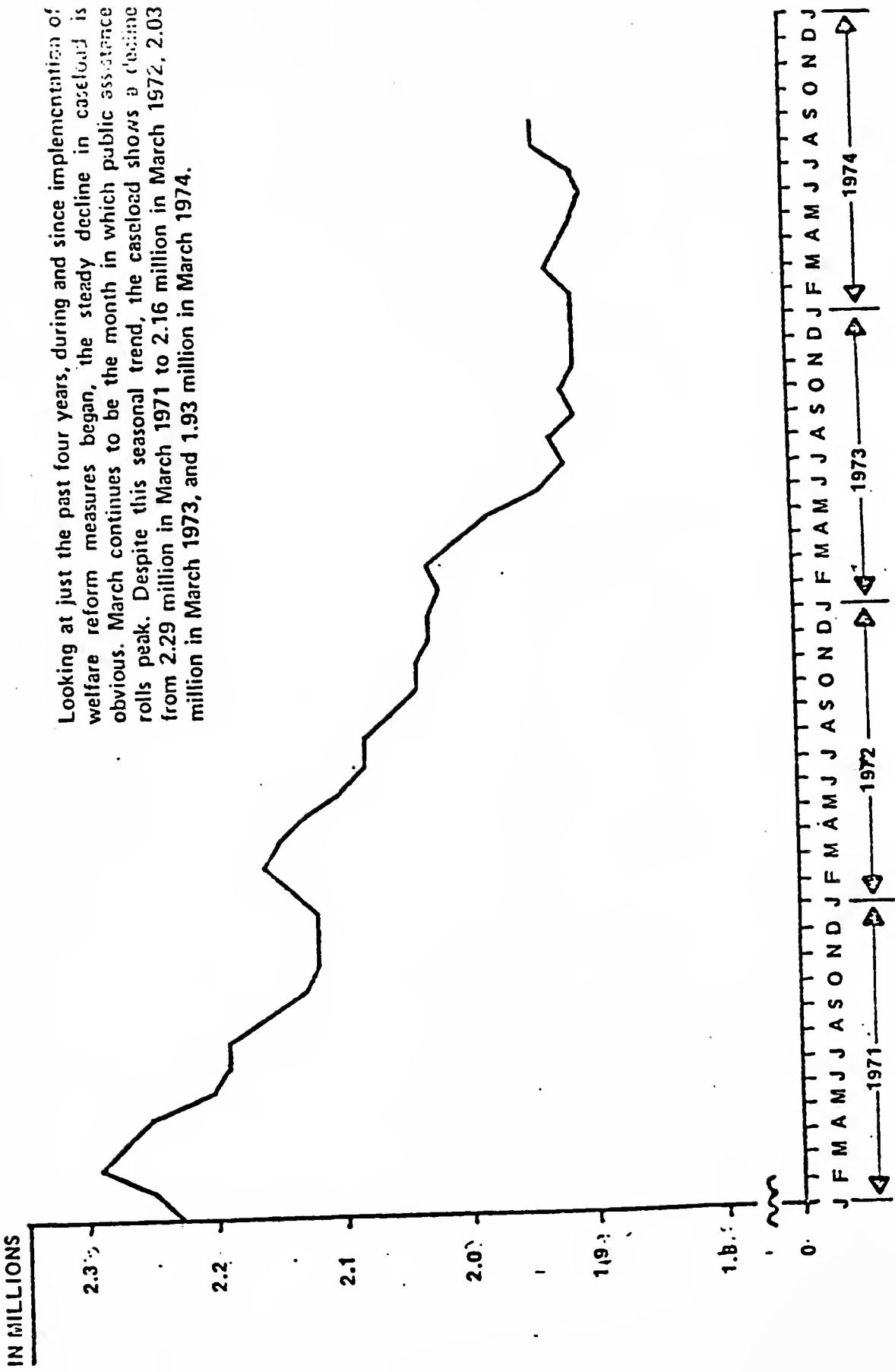
Public Assistance Programs

Total Persons

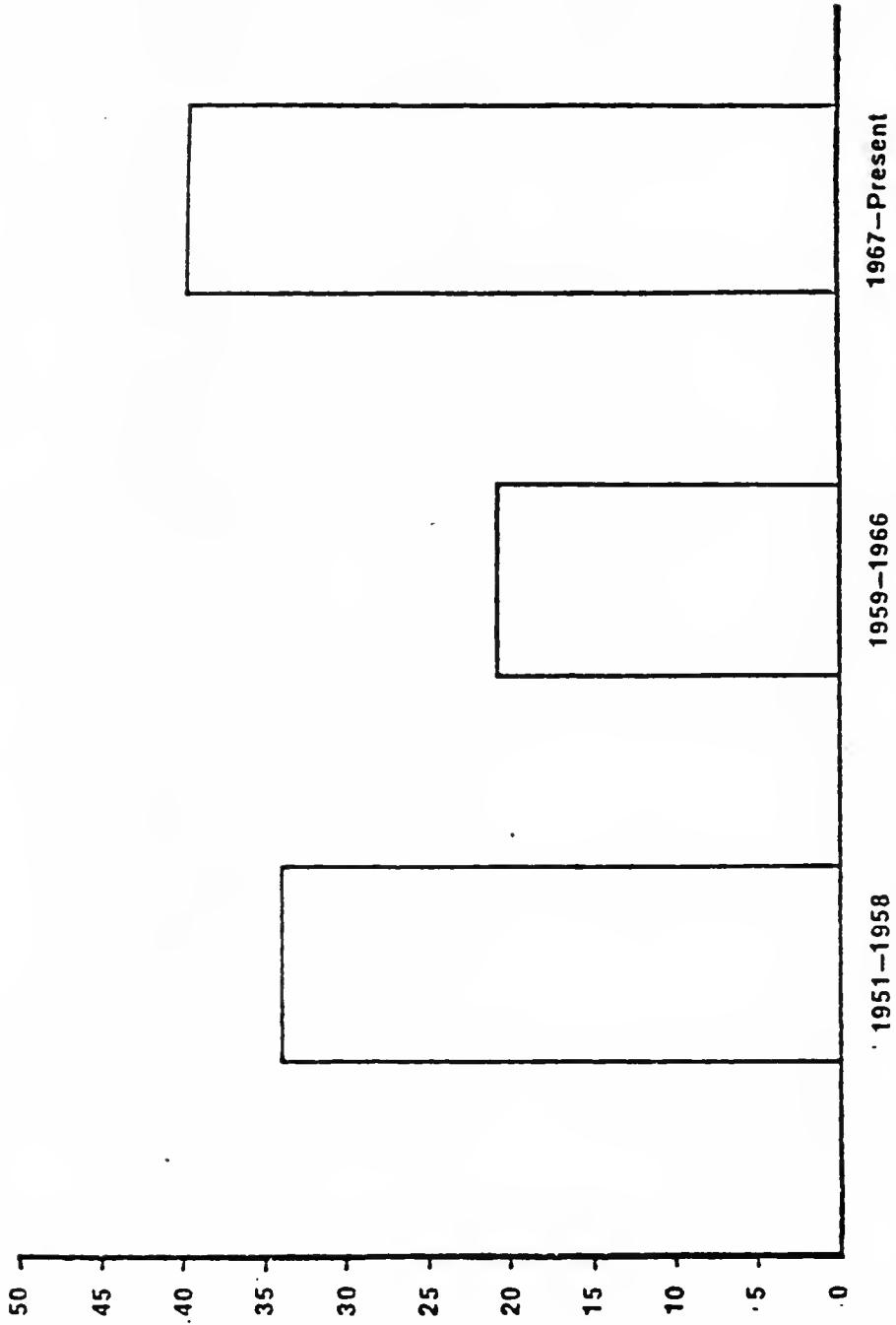
First Month of Each Quarter
(1960 to Present)



Total Caseload by Persons



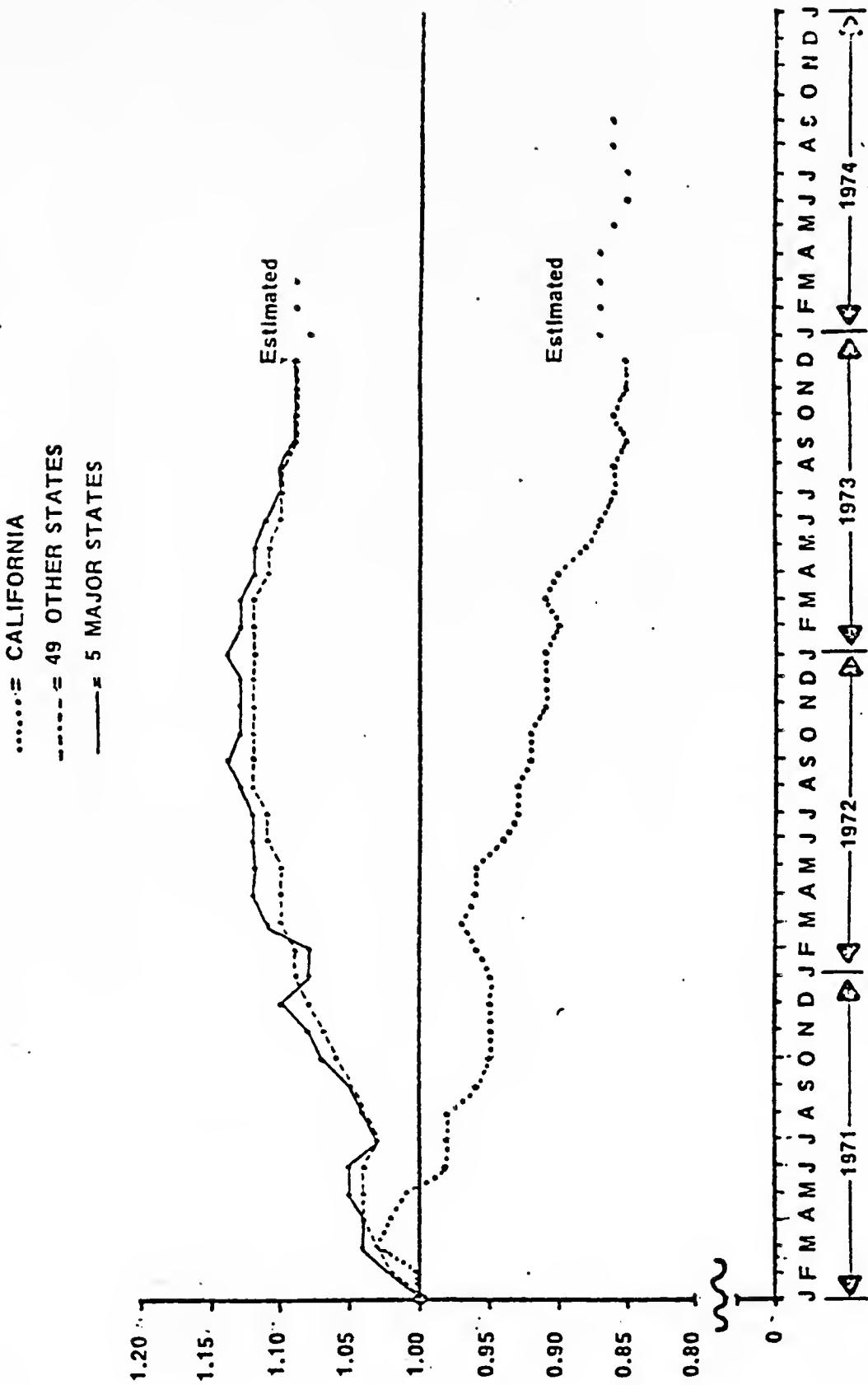
The Number of Times the AFDC Caseload has Dropped from One Month to the Next



The decline in California public assistance rolls since welfare reform is impressive when compared to caseload trends since 1951. In the 96 months between 1951 and 1958, the largest welfare recipient caseload, Aid to Families with Dependent Children, decreased 34 times between one month and the next. Between 1959 and 1966 there were only 21 month-to-month decreases. From 1967 to 1974, this figure rose to 41, and 33 of the month-to-month decreases occurred after welfare reform.

Total Persons on Welfare

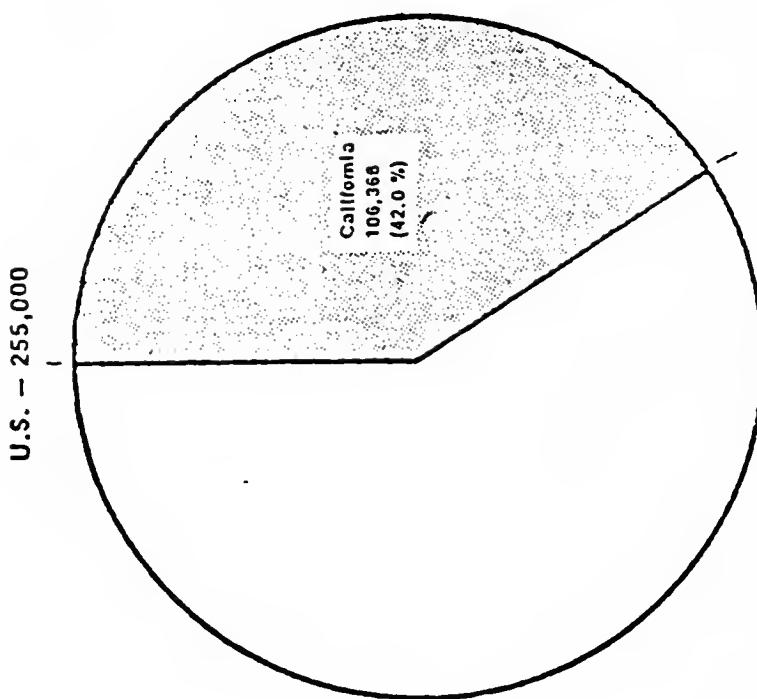
42



The trend of welfare rolls across the nation in the last four years presents a different picture from California's. The five states graphed as a separate group — New York, Pennsylvania, Michigan, Illinois, and New Jersey — all have large welfare caseloads. As this chart shows, neither these states nor the combined 49 have experienced the caseload decline which occurred in California.

1973 Decrease in Number of AFDC Recipients

Total AFDC Recipients
January 1, 1973



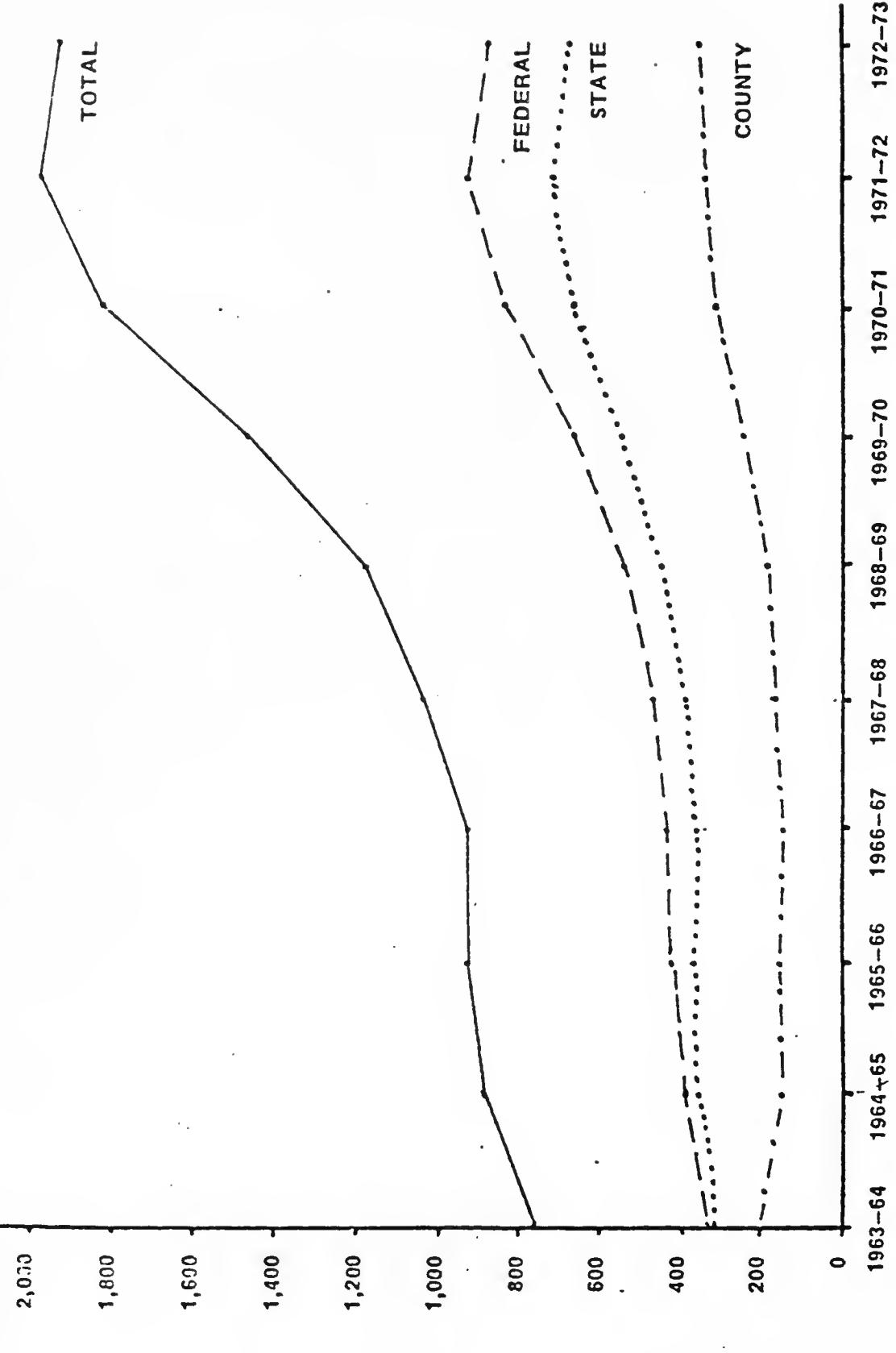
U.S. - 11,069,000

California
1,446,697
(13 %)

On January 1, 1973, 13 percent of the nation's AFDC caseload was in California. During the year the national rolls dropped by 255,000. Forty-two percent of this decline — 106,386 — occurred in California.

Total Public Assistance Expenditures (Fiscal Years 1963-64 to 1972-73)

MILLIONS
 OF
 DOLLARS



Total public assistance expenditures do not correlate directly with caseload trends, partly because of increases in the amount of welfare grants. Fiscal year 1972-73 does show an average drop in expenditures which can be attributed to caseload decline. (County expenditures in 1972-73 increased despite an overall expenditure decline because state legislation changed the state-county sharing ratio for adult programs.)

PERCENT as a Percentage of Total Payments

Based Period:

APRIL through SEPTEMBER 1973
JANUARY through JUNE 1974

26.5

1.7

22.6

21.7

0.9

1.2

 UNDERPAID OVERPAID INELIGIBLE

20

0.9

 UNDERPAID OVERPAID INELIGIBLE

15

1.4

1.4

 UNDERPAID

10

6.8

6.8

 UNDERPAID

5

8.6

8.6

 UNDERPAID

0

15.6

15.6

 UNDERPAID

10

10.1

10.1

 UNDERPAID

5

7.4

7.4

 UNDERPAID

0

12.5

12.5

 UNDERPAID

10

5.8

5.8

 UNDERPAID

15

13.1

13.1

 UNDERPAID

20

14.1

14.1

 UNDERPAID

25

21.1

21.1

 UNDERPAID

30

22.6

22.6

 UNDERPAID

0

12.2

12.2

 UNDERPAID

10

1.3

1.3

 UNDERPAID

15

5.0

5.0

 UNDERPAID

20

6.5

6.5

 UNDERPAID

25

5.9

5.9

 UNDERPAID

California

Michigan

Pennsylvania

Illinois

New York

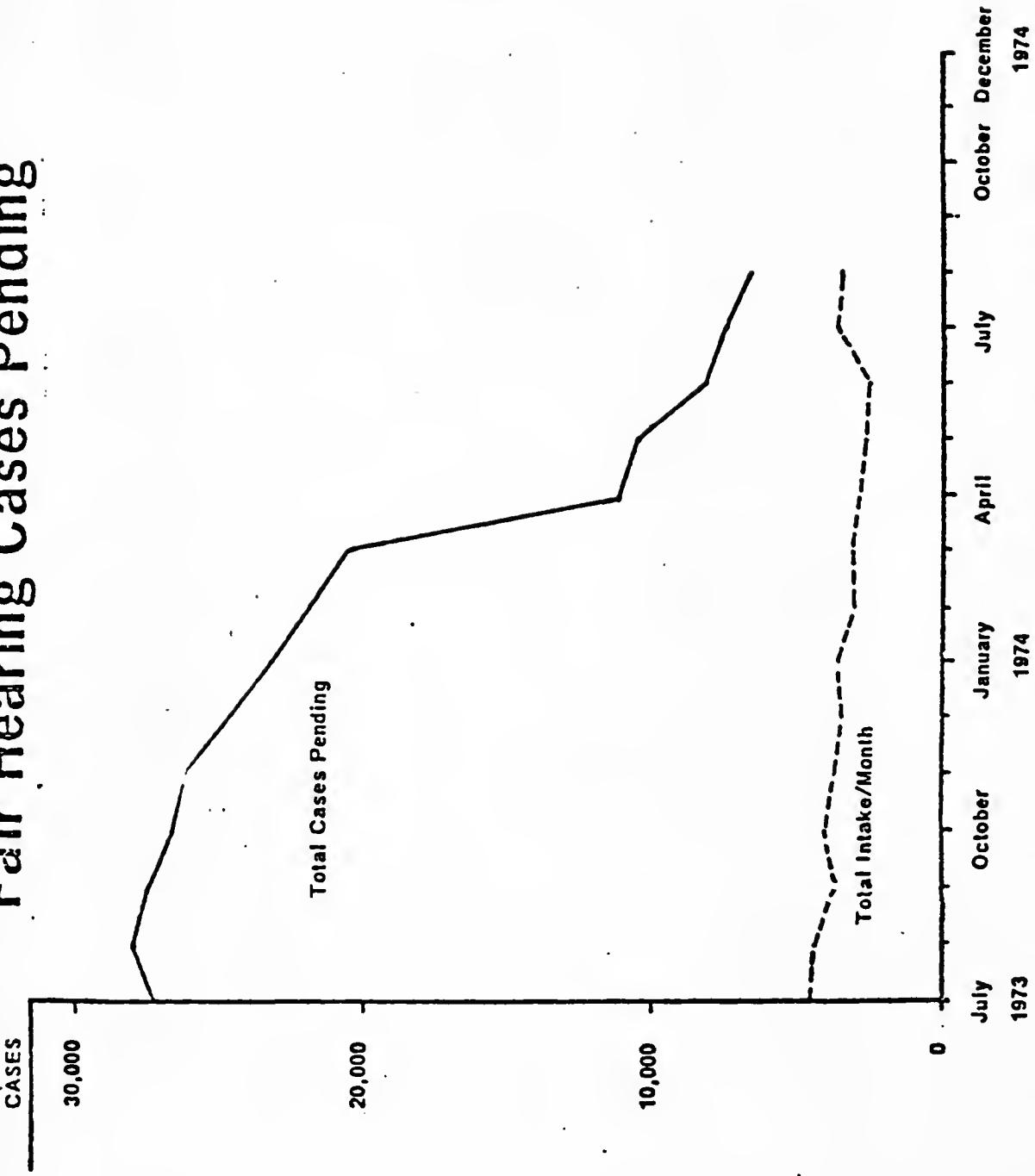
Average

Ohio

Texas

Among the seven states with the largest public assistance caseloads, California ranks lowest in dollar errors as a percent of total payments. It has the lowest dollar error rate for overpayments and payments to eligibles, and its total dollar error rate is 4.6 percent below the national average. Only two of the other large welfare caseload states have a total dollar error rate below the national average.

Fair Hearing Cases Pending



The number of cases pending a fair hearing decision at the end of the month has decreased from over 27,000 in July 1973 to fewer than 7,000 in August 1974. A computerized method of scheduled hearings, a project which reconciled manual and computer case data, increased frequency of hearings in each county, and newly established processing standards account for this 75 percent reduction in the number of cases pending. As shown, the decrease is not entirely due to a reduced monthly case intake. The significance of these improvements is a substantial dollar reduction in aid paid pending fair hearing resolution. Based on the number of cases in the fair hearing cycle during calendar year 1974, a 20-day decrease in average case processing time produces estimated savings of more than \$1 million.

California's Experience With
WELFARE REFORM

December 1974

Department of Benefit Payments



A "HARD LINE" HELPS THE GENUINELY NEEDY

David B. Swoap

Since their inception in the 1930s, the nation's public-assistance programs have grown in unparalleled fashion; they have escaped critical evaluation; and they have exacerbated many of the problems that they purport to solve or alleviate. What is worse, many of the so-called reform plans being pushed today are not reform at all; they would compound the situation and deepen the dependency spiral, and in the last analysis they may have an effect upon the economy that is serious enough to jeopardize all that they hope to achieve.

The thoroughgoing commitment to income transfer over the last forty years has resulted in a massive redirection of resources. In the minds of many, this may be both desirable and necessary. However, the pattern has now become such an escalation that it threatens to engulf the ability of the taxpayer (and the economy from which he derives his income to pay his taxes) to sustain it.

In 1955, spending by all levels of government (federal, state, and local) was approximately \$97 billion, or slightly over 25 percent of the gross national product. Of this amount, government benefit payments to individuals accounted for \$15.6 billion, or 16 percent of total government spending and 4.1 percent of the GNP. In 1975, just twenty years later, total government spending stood at approximately \$478 billion—33.3 percent of the GNP. Benefit payments represented \$158 billion—33 percent of total government spending and 11 percent of the GNP. In other words, the proportion of government spending for individual-benefit-payment programs more than doubled in that period of time, and the proportion of the GNP that went to sustain such programs almost tripled.

The belief that the nation has misdirected priorities and continues to spend proportionately more on defense than on social programs appears ill supported by the facts. In absolute terms, federal spending for defense in 1955 was \$39.4 billion; it increased in 1975 to \$79 billion. In relationship to total government spending, however, it dropped from 41 percent to 16.5 percent; in relationship to the GNP, it dropped from 10.4 percent to 5.5 percent. While its share of total government spending was being cut by 60 percent, then, that of benefit-payment programs was doubling. While the defense proportion of the GNP was almost half in 1975 what it was in 1955, the share of individual-benefit-payment programs had almost

* Social Security, railroad retirement, federal employees' retirement and insurance (including military retirement pay), unemployment assistance, veterans' benefits, Medicare, Medicaid, housing payments, and public assistance. One may insist upon a distinction between Trust Fund and general fund benefits; even so, the pattern of growth in the latter is unmistakable.

† Federal defense function, excluding military retirement pay, which is included in government benefit-payment programs.

tripled. Clearly, budget priorities overwhelmingly have favored the benefit-payment programs of the nation in the last twenty years.

The Office of Management and Budget (*The Trend of Government Spending, 1955 to 2000*) has had some interesting observations about the implications for the future should the rate of growth that we have seen in the last twenty years in the social programs continue.

Benefit payments to or on behalf of individuals rose more than twice as fast as our Nation's output (between 1955 and 1975)—by an average of 8.8 percent per year. At least three-fourths of this growth was accounted for by new programs and expansions of existing ones—not by normal growth in the beneficiary population.

Continuation of this trend for any extended period of time would produce fundamental changes in our Nation, as well as in the budget. Projections to the year 2000 illustrate the point. If the gross national product, nondefense spending, and benefits payments to individuals were to continue to grow in real terms at their average rates of growth in the past two decades, governments would lay claim to more than 55 percent of the Nation's output in the year 2000—even if real defense spending were held constant.

Even more revealing is the Office's analysis of the effect of cutting defense, and then other direct operations, to finance the growth in payments to individuals. If the latter were to continue at the 1955-1974 rates, with total outlays being a constant share of the GNP, then all defense expenditures would have to cease by 1985, and all defense and all other government direct-operations expenditures would have to cease by 1991.

Critics of data of this nature usually contend that growth rates in social programs will not continue at these levels but that their peak has been reached and that they will stabilize in the long run at a lower growth rate. This view overlooks two



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very serious facts: first, without any major program changes, growth rates show no sign of lessening; and second, with the multiplicity of new programs being considered and urged in Congress and elsewhere, there appears little likelihood that new accelerative fuel will not be added.

OMB observed that holding government spending at about today's share of the GNP is possible only if direct government operations grew significantly more slowly than the GNP, and payments to individuals grew substantially more slowly than the 1955-1974 rate of 8.8 percent per year (for example, at not more than 5 percent per year). We see that this does not yet seem to be occurring, as indicated by the following recently released figures for fiscal 1973 through the projected 1978 budget. Health: up 129 percent, or an average of 25.8 percent per year; income assistance: up 88 percent, or an average of 17.6 percent per year; social services: up 56 percent, or an average of 11.2 percent per year.

Moreover, the 1978 figures on which these percentages are based are the amounts requested by the outgoing administration, before any modifications or adjustments by the incoming one. Additionally, as the budget year progresses, it is often necessary to request supplemental appropriations; over \$1.2 billion in additional appropriations have had to be requested by the outgoing administration to meet "rising unit costs and caseload" for public assistance in the current fiscal year; and as indicated earlier, they take into account none of any number of possible liberalizations that may emerge from the 95th Congress. Indeed, the cited 1978 figures include a number of program restrictions that neither the Congress nor the incoming administration may accept and, thus, on their face, in fact may be too low.

Now, against this backdrop, one may logically ask: "How did we get where we are? Are we achieving our goals? Are the public-assistance expenditures indicative of the extent to which we are really serving need in this country?" I would submit that we have only the faintest idea of how we got where we are; it is impossible to determine if we have met our goals, for we have neither defined them nor created adequate yardsticks for measuring their achievement; and public-assistance expenditures are a very poor index of the extent to which legitimate need is being met.

Almost the entire pattern of both legislative and executive action over the past forty years in the public-assistance field has been one of adding one program on top of another, each predicated upon claimed potential that is rarely evaluated, each hardly ever taking into account the existence of the other (so that double or triple benefits thereby are conferred), and each of which usually ends up adding to the cost and dependency spiral. The curious thing, moreover, is that so many of these changes have been advanced by the same architects who designed the structure they are now trying to "reform," and so rarely are they held accountable.

This certainly is true in the current debate on welfare reform. Elsewhere in this magazine a number of welfare advocates are urging a guaranteed annual income of one kind or another, which will have the chief effect, in my judgment, of moving us directly and precipitously into even more serious fiscal and policy problems. In the name of "reform," changes are urged that would include more and more persons under the welfare mantle, weaken individual responsibility, remove the present eligibility tests of need, seriously undermine initiative, and require massive new tax outlays. Standardization of benefits is urged, when variation in benefits previously

had been pressed to meet varying need circumstances. Inequities are decried, but the redress of an inequity almost always occurs upward, never downward, and often results in another being created. Simplicity is used as a convenient exhortatory tool, although complexity has been manipulatively useful in the past; and simplicity means even more errors will be created. Federalization is called for, notwithstanding the poor accountability, administrative, and service record of federal programs in general and of the Supplemental Security Income (SSI) program in particular. Both recipients and taxpayers may unite in the awareness that a federally run program rarely meets their respective needs.

In "The Future Direction of Income Transfer Programs," in *Public Administration Review* (Sept./Oct. 1976), Congressman Bob Michel, minority whip of the U.S. House of Representatives and ranking Republican on the Labor/HEW appropriations subcommittee, defined the income-transfer program problem, stating that it is:

—The layering of one program on top of another, without regard for interrelationships and without provisions for determining accountability.

—A belief that money alone solves problems.

—A failure to see that monies spent in the public sector are often unproductive dollars—there is no multiplier effect, no insurance that jobs which are "created" supposedly by government will contribute to the economy.

—A general failure to consider the deleterious effects of massive welfare programs on personal and family responsibility.

—Legislating based upon shibboleths: that people, for example, will "go hungry" if we do not permit the food stamp program to barrel down the path of unrestrained expansion. People may very well go hungry if we do not stop it.

He continues:

In addition, we have over the years created a kind of "interlocking directorate" between constituent groups who receive government funds, the bureaucrats who administer them, and the professionals who seek them. These interrelate with the politicians and their staffs who provide the funds and design the programs.

And we have come to adopt the rather strange belief that the federal government is some sort of impersonal "donor" or charitable fund—when, in fact, it is ourselves. We—all of us—need to bite the bullet and put an end to this constant seeking—and providing—of more and more government largesse.

Reform proposals abound. Sadly, most of them would only make things worse.

They would only make things worse because they extend and compound the errors of the past. What is happening is that the present confusion and dissatisfaction that surrounds the welfare system is being used, in many cases, to advance even further liberalizations and extensions to achieve the advocate's primary goal: an even greater measure of income transfer, an even greater proportion of the GNP that is devoted to government spending and individual benefit programs.

This is not, in my opinion, what most persons seek when they say they want welfare reform. To argue the point almost seems to belabor the obvious. In point of fact, however, greater and greater income transfer and enlargement of federal programs is not what the taxpayer means by his call

for welfare reform. With a historic sense of compassion for the needy, he asks that the system be reformed to ensure that aid go in sufficient amounts only to those persons entitled by genuine need to receive it. Specifically, in my opinion, he asks that eligibility tests be constructed so that need may not be artificial or manipulated, that benefits be adequate and decent, but not duplicative; that work requirements be enforced for the physically able, not simply paid lip service; that outside resources be taken into account and relied upon wherever possible; that sufficient precision characterize the system so that errors are avoided to the greatest possible extent; that persons responsible in the last analysis for the needy person—whether it be the individual himself or his parent—be required to meet his responsibility to the best of his ability; that opportunities for fraud and abuse of the system be reduced and hopefully eliminated; and that, finally, the system be operated within the limits of public resources and not in such a fashion as to call into question the very ability of the economy to survive.*

Officials at all three levels of government, if fundamental welfare reform is to be achieved, must undertake the comprehensive scrutiny of the Social Security Act, HEW regulations, and relevant state statutes and regulations that is required to identify all areas where there are loopholes, misallocation of resources, and provisions that are inconsistent with the above-stated objectives, and to close, modify, or eliminate them. Examples abound:

—The Social Security Act and the Food Stamp Act have no gross income ceilings for the receipt of AFDC or food stamps. Instead, net income is used; numerous exemptions and deductions are permitted, many with the hope that their allowance will serve as a work incentive. In many cases, however, their provision has a boomerang effect, for people once employed stay on welfare at higher and higher income levels. The disregard of the first \$30 of earned income, and 1/3 of the remainder, in the AFDC program has been estimated by HEW to have cost \$10 in added necessary benefits for every \$1 that it has saved through encouraging persons to become actively employed.

—The federal statute also has a "four-month" rule: qualifying the recipient for the earnings disregard if he or she has been on welfare in any one of the preceding four months. The problem is that it is not a single four-month transition period; it is a constantly rolling-forward four-month period—so that the person always qualifies and remains on welfare. (They will always have been on welfare in the preceding month, so they continue to be eligible ad infinitum.)

—With regard to outside resources, no means for universally checking reported income against actual income is required by HEW or most states, yet a relatively simple method exists in cross-checking employers' unemployment-compensation payroll reports with recipient reports of income.

—Stepfathers, men "assuming the role of spouse," or two welfare families living together can often get by with no diminution of the original welfare grants whatever.

These are simply illustrations of the kinds of loopholes that can and should be closed. Often, however, recommendations for these kinds of changes are met with one (or a combination) of three criticisms: (1) Reform of this nature is simply *incrementalism*, or more pejoratively, *tinkering*, and much more massive reform is needed; (2) no actual "program" exists for

this kind of reform, and therefore it is largely rhetorical or ephemeral; and (3) this kind of reform hurts needy people.

The charge that reform of the kind outlined is simply incrementalism or tinkering is often simply a smokescreen for the fact that the critic wishes to achieve even greater income-redistribution and does not want reform of this kind to hinder his efforts. If real welfare reform succeeds, his entire premise—that only sweeping changes in the nature of a guaranteed annual income, or more massive categorical programs, are the

"In the name of reform, changes are urged that would include more and more persons under the welfare mantle, weaken individual responsibility, remove the present eligibility tests of need, seriously undermine initiative, and require massive new tax outlays."

answer—is destroyed. Moreover, persons who tend to reject incrementalism or tinkering lose sight of two very basic facts. First, the cost/benefit ratio makes such an effort extremely

* That this should be something other than a pious platitude is becoming increasingly clear by the experience of New York and Great Britain.

worthwhile—because just a \$1 saving per person per month in the AFDC and food-stamp programs permits savings of \$132 million and \$228 million respectively. Second, among the key elements of welfare reform is target efficiency—to direct benefits to those who need them with greater precision and adequacy—and if fine tuning is needed to achieve that goal, we should not reject it.

The second and third criticisms were summed up in a recent column "Let's Not Talk About Welfare Reform," by Jodie Allen, a Washington-based research consultant, in which she wrote in the *Washington Post* (January 10, 1977):

The cost-cutters . . . are those who don't care much whether the welfare system is fair, or adequate, or has "perverse incentives." They just wish it didn't cost so much . . . beyond a stout belief that you ought somehow to "get the cheaters off the rolls," it has no real program and when faced with the actual possibility of reducing assistance to a demonstrably needy family, members of this group are usually just as squeamish as anyone else.

She regrettably gives short shrift to the concerns, the program, and the differentiation ability of those who may have developed a cost-reduction program with some care. Her entire last point appears to translate into, "There are no opportunities for cost reduction, except at the expense of needy persons," which means, "All persons on welfare are legitimately there and are being paid in correct amounts." This appears not at all consistent with the facts. Surely in programs where aid is paid to eligibles, or overpaid (and, it might be noted, underpaid), in the magnitude of 10, 20, or 30 percent of the cases, depending upon which program and which state is under consideration (current quality-control figures show errors in this magnitude range), the opportunity exists for structural reform that is embodied in a comprehensive program. Moreover, and perhaps even more telling in its potential, it can be done in a way that aids, rather than harms, needy persons.

The experience of California is a case in point. In the late 1960s, California was experiencing exactly what all the rest of the nation was experiencing: constantly escalating welfare costs, with a massive tax increase appearing inevitable if something were not done. Caseloads were increasing at the rate of 40,000 persons per month without regard to employment patterns. Restive counties, sharing a significant amount of the burden, were calling for full assumption of welfare costs by the state or federal government.

Instead of simply shifting the problem from one layer of government to another, however, the governor insisted that the program itself needed reforming; and he appointed a task force of experts who went over the Social Security Act with a fine-tooth comb. After six months, in December of 1970, they emerged with over a hundred specific recommendations—all of which could be done within the confines of state law, or if they could not, were accompanied by recommendations for changes in the state statute. Among the provisions of the Governor's welfare-reform program were the following:

—A new method of computing AFDC grants, so that persons income now had to be subtracted from the maximum aid payment.

—An Earnings Clearance System, so that recipient reports of outside income were cross-checked with employer unemployment compensation-reports. In the first run of the

top 10 percent of the earners, discrepancies were found in 41 percent of the cases.

—A Support Enforcement Incentive Fund (SEIF) to maximize location of the absent parent and enforcement of support orders. Over 85 percent of the AFDC problem was found to be caused by absent fathers. The SEIF in California returned 21.7 percent of every child-support dollar to the counties that normally would have abated the state portion of the welfare grant, with the requirement that they use it for additional child-support-enforcement efforts. Result: Child-support collections almost doubled in just five years, from \$36 million to \$66 million.

—A requirement that assets be counted and included in a new, more comprehensive fashion.

—A new, more detailed application and verification procedure.

The overall results:

—Instead of caseloads rising by 40,000 persons per month, they started *dropping* by approximately 8,000 persons per month, a decline that continued throughout the Reagan administration.

—This was not a national phenomenon; in the early 1970s, graphs markedly depict the downturn that occurred in California compared with the continuing escalation that other major industrial states and the nation were experiencing as a whole. When HEW finally reported a national downturn in cases for the first time in history in 1973, California accounted for 42 percent of the reason, and other states, including New York, had begun to emulate the California pattern.

—Nor was the caseload drop due "just to a decline in family sizes," as critics alleged; this was a contributing but minorfactor, departmental research showed.

—Forty-two of the fifty-eight counties in California were able to reduce their property taxes. Los Angeles County, which had approximately 44 percent of the caseload, was able to cut its welfare property tax rate from \$1.62 to 97 cents.

—Over \$1.5 billion was actually saved in three years.

But perhaps most significantly, the tax savings occurred while California, as a part of welfare reform, simultaneously raised grants to those who remained on the rolls. AFDC recipients in the state had not had an increase in thirteen years, throughout the previous administration and into a portion of the Reagan Administration. Welfare reform permitted an instant increase of 27 percent in AFDC grants in 1971 and the incorporation of an annual cost-of-living increase, so that now AFDC grants in that state are approximately 50 percent above where they were prior to welfare reform. (California is one of only two states in the nation that provide such an automatic increase, the other being Massachusetts.)

That is the fact that is so often overlooked by the critics of this kind of real, thoroughgoing welfare reform. Resources can be located and freed for the legitimately needy by identifying those who have other resources on which to rely. The assumption that this kind of welfare reform "only hurts the poor" is a disservice to logic, reality, and the truly needy of America.

As stated earlier, numerous specific opportunities for improvement and strengthening of our nation's welfare system are there if one seeks to find them. If carried out with precision, care, and compassion, these improvements can benefit recipient and taxpayer alike. It is hoped that, in the months and years ahead, conflicting goals and clashing rhetoric will not be permitted to obscure this fundamental fact. •

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RONALD REAGAN GUBERNATORIAL ERA, 1966-1974

Government History Documentation Project

The Ronald Reagan Gubernatorial Era Project was carried out by University of California at Berkeley in cooperation with University of California at Los Angeles, University of California at Davis, California State University at Fullerton, and Claremont Graduate School. Interviews are grouped by the institution which produced them.

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